REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

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I. Introduction

Salaries, wages and related benefits payments which mainly include the cost of basic salaries, indemnities and allowances, increased by LL176 billion, from LL 3,037 billion in January-November 2010 to LL3,213 billion in January-November 2011. This rise is primarily attributed to (a) differences in timing of payment between 2010 and 2011; (b) continuous recruitment policies and (c) the integration of contractual security forces as permanent elements.

II. Salaries, wages and related benefits in January-November 2011 compared to January-November 2010

Salaries, wages and related benefits represent the largest component of primary spending, accounting for 32 percent as of end November 2011.

Table 1. Breakdown of Article 13: Salaries, Wages and Related Benefits

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2010 Jan-Nov	2011 Jan-Nov	2010 Jan-Nov	2011 Jan-Nov	2010 Jan-Nov	2011 Jan-Nov	2010 Jan-Nov	2011 Jan-Nov	2010 Jan-Nov	2011 Jan-Nov
Military Personnel	**1,389**	**1,522**	**66**	**67**	**320**	**385**	**2**	**2**	**1,776**	**1,976**
• Army	933	1,012	43	43	197	228	1	0	**1,174**	**1,284**
• Internal Security Forces 1/	364	405	18	20	98	127	0	0	**479**	**552**
• General Security Forces 2/	71	78	3	3	19	22	1	1	**93**	**104**
• State Security Forces 3/	21	27	2	2	7	8	0	0	**30**	**37**
Education Personnel	**602**	**632**	**60**	**63**	**0**	**0**	**0**	**0**	**662**	**695**
Civil Personnel 4/, *of which:*	**301**	**269**	**57**	**57**	**4**	**4**	**203**	**181**	**564**	**511**
• Employees Cooperative							**174**	**149**	**174**	**149**
Customs Salaries 5/									**34**	**32**
Total	**2,291**	**2,423**	**183**	**187**	**323**	**389**	**205**	**183**	**3,037**	**3,213**

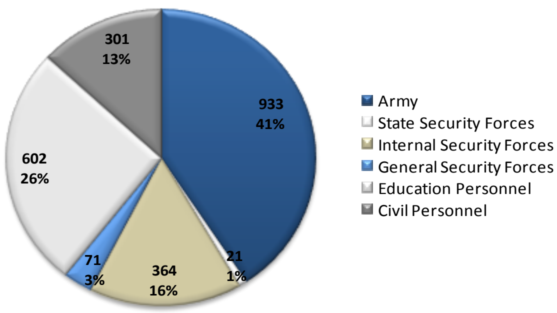
Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

1/ Includes allowances and 1996-1998 retroactive payments made to Internal Security Forces from Guarantees account,
2/Includes 1996-1998 retroactive payments made to General Security Forces from Guarantees account,
3/ Includes allowances and 1996-1998 retroactive payments made to State Security Forces from Guarantees account,
4/Includes salaries payments made to Ministry of Public Health from Guarantees account.
5/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. Field service indemnity in March 2011 paid to Customs officers were included as well.
6/Includes payments for family, transportation, overtime as well as various indemnities.
7/Includes payments for maternity and sickness, marriage, birth, death, hospital, education, medical and various social allowances.
8/ Other includes payments for bonuses, contributions to various public sector mutual funds and contribution of the State as an employer for the National Social Security Fund.

III. Breakdown of Basic Salaries

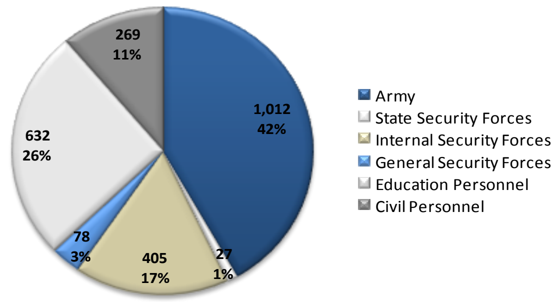
Basic Salaries rose by LL132 billion, from 2,291 billion in January-November 2010 to 2,423 billion in January-November 2011. Behind this increase stands higher payments to the military and security forces (+LL133 billion) and education personnel (+LL30 billion). These were slightly offset by a decrease in payments to the civilian personnel (-LL32 billion).

Fig. 1: 2010 Basic Salary Distribution
(LL Billion, %)



Source: DGF, MOF

Fig. 2: 2011 Basic Salary Distribution
(LL Billion, %)



Source: DGF, MOF

III. A. Basic Salaries of Military Personnel

The increase in basic salaries of the military personnel can be attributed to the following factors:

- The fourth payment of the *1996-1998 retroactive* to military and security personnel which is divided into 6 disbursements over the 2009-2011 period[1].
- The one-off payment of *retroactive field service indemnities* that accrued between May 2008 and February 2011 to the military and security personnel[2].
- The assignment of *10,637 elements* enrolled on a contractual basis in Internal Security Forces (also known as "mujannadine" in Arabic) as *permanent elements*.[3] This integration led to an increase in payments of "housing allowance" - a benefit only permanent members are entitled to. It also led to the payment of one additional salary in February 2011, which is the date of conversion[4], since contractual elements cash out their remuneration at the end of the month contrary to permanent employees who cash out their pay one month in advance.
- The enlistment of *2,500 new volunteers*[5] in ISF.
- The enrollment of *1,250 new members* between 2009 and 2011[6] in the General Security Forces, out of which 750 elements were enlisted in 2009 whereas 250 members were recruited in 2010 and 2011, respectively.

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[1] Following the adoption of Law 63 dated December 31st, 2008 which legislates the inclusion of the required budget allocations in the 2009-2011 Budgets to cover the 1996-1998 retroactive amount due. For more information, please refer to the 2009 Annual Report, pages 18-19.

[2] As per Annex 6 of Law 718 dated November 5th, 1998 which was amended by Decree 90 dated January 13th 1999. It should be noticed that the decision to make this payment was retroactively confirmed by Parliament through the issuance of Law 151 dated August 17th, 2011 whereby Annex 6 was formally integrated into Law 63/2008. This integration implied that the calculation of field service indemnities should take into account the LL200, 000 monthly salary increase granted through Law 63 starting May 1st, 2008. Field service indemnities are additional benefits to which military personnel in service are entitled exclusively in the public sector.

[3] As per Council of Ministers' decision number 12 dated March 31st, 2010 legislating the assignment of 10,637 elements enrolled on a contractual basis (also known as "mujannadine") as permanent elements. On a cash basis, this decision began to have a significant impact starting February 2011. It is worth noting that the precise number of contract-basis elements that have been converted to permanent members might have been subject to several amendments following the adoption of the COM decision.

[4] This implies that the "ISF mujannadine" were paid between January and November 2011 their salaries for the months of January-December 2011, or twelve months of salaries, whereas, they were paid only eleven months of salaries in the respective period of 2010.

[5] As per Council of Ministers' decision number 12 dated March 31st, 2010 legislating the enlistment of a total of 4,000 new volunteers, out of which 2,500 members have been engaged till November 2011.

- The enrollment of *<u>500 new members</u>* in State Security Forces[7], out of which 250 members were enlisted in November 2010 while the remaining 250 members were integrated in February 2011.
- It is noteworthy that November 2011 basic salary payments to all the military personnel, excluding the army, were made through treasury advances[8], whereas in previous month, they were made from the budgetary allocations classified under Article 13 of the budget economic classification.

III.B. Basic Salaries of Education Personnel

Basic salaries paid to the education personnel in January-November 2011 are back to their upward trend that was witnessed previously this year, given that the payments to the Directorate General of Technical and Vocational education were paid in November 2011. Excluding this factor, the overall rise in basic salaries paid to this category is primarily due to the following reasons:

- An estimated LL22.4 billion increase in payments to primary and intermediate education.
- An estimated LL4.8 billion increase in payments to secondary education.
- An estimated LL28.4 billion increase in payments to teachers hired on a contractual basis.

These increases, which are expected to have a permanent yearly impact, are largely explained by the recruitment and appointment of 2,835 primary teachers[9] and 755 secondary teachers[10] during 2010 and 2011. It is also the result of the reclassification in the 2011 National Budget Proposal of payments made to contracted primary teachers from transfers (Article 14) to salaries and wages (Article 13). On a cash basis, this reclassification started to reveal its impact in April 2011.

III.C. Basic Salaries of Civilian Personnel

As for the general decrease in payments to civilian personnel, it is primarily due to payment timing factors, particularly the disbursements related to the retroactive payments made to this category. It is noteworthy that disbursements to the overseas corps, judges, Ministry of Finance and Ministry of Public Health categories witnessed the highest decline, while payments made to the Ministry of Agriculture witnessed a rise over this period. It is noteworthy that some of the basic salary payments in November 2011 to the civilian personnel were made through treasury advances[11].

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[6] As per Council of Ministers' decision number 79 dated May 13th, 2009, legislating the enrollment of a total of 1,250 new members,out of which 250 members were graded as second inspector.

[7] As per Council of Ministers' decision number 4 dated June 3rd, 2010, legislating the enrollment of a total of 500 members in State Security Forces.

[8] Payments to State Security Forces were made as per Decree 6839 dated November 17th, 2011 and payments to ISF and GSF were made as per decree 6874 dated November 18th, 2011 and decree 6622 dated October 19th, 2011.

[9] As per Decree 4057 dated May 20th, 2010, Decree 3634 dated March 20th, 2010 and Decree 3127 dated January 30th, 2010.

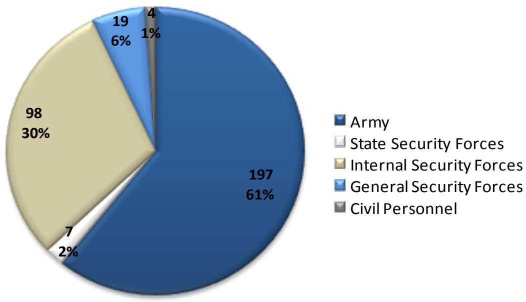
[10] As per Decree 2542 dated July 31st, 2009 and Decree 4427 dated July 21st, 2010.

[11] As per Decree 6622 dated October 19th, 2011 and Decree 6874 dated November 18th, 2011.

IV. Payments of Allowances

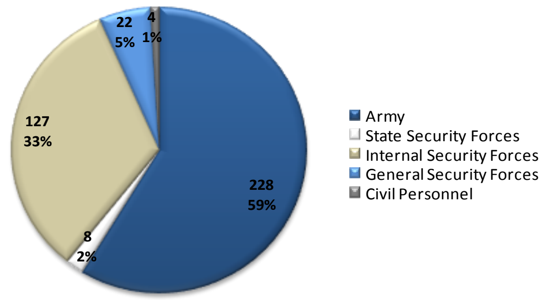
Allowances increased by LL 66 billion, from LL323 billion in January-November 2010 to LL389 billion in January-November 2011 mainly as a result of higher payments to the Army (+LL31 billion) and the Internal Security Forces (+LL29 billion).

Fig. 3: 2010 Allowances Distribution (LL Billion, %)



Source: DGF, MOF

Fig. 4: 2011 Allowances Distribution (LL Billion, %)



Source: DGF, MOF

Behind this enlargement stands higher payments of maternity and sickness allowances (an estimated LL8 billion) and health allowances (an estimated LL32 billion). Health allowances paid to the Army and Internal Security Forces personnel have been rising as a result of:

- The Council of Ministers' decision to assign the members enrolled on a contractual basis (also known as "mujannadine" in Arabic) as permanent elements in Internal Security Forces.
- The decision to unify the hospitalization tariffs reimbursed by all insuring schemes sponsored. It is noteworthy that both decisions started to have a significant impact starting February 2011[12].

V. Payments to the Civil Servants' Cooperative

The item "other"[13], which is mainly composed of payments to the employee's cooperative witnessed a drop relative to the similar period of 2010. This is due to a cash management issue and discrepancy in timing of payment as only a LL149 billion transfer was made to Civil Servants Cooperative in January-November 2011 compared to LL174 billion in January-November 2010.

[12] The increase in army allowances as a result of the tariff harmonization policy decided by the Council of Ministers first appeared in the 2009 Budget Proposal (an extra LL42 billion), then in the 2010 Budget Proposal (an extra LL4 billion) and in the 2011 Budget Proposal (an extra LL27 billion). On a cash basis, this is translated by a rise of LL 3 billion per month in 2010 compared to 2009 and an increase of LL 2.2 billion per month in 2011 as compared to 2010.

[13] The category entitled "Other" mainly includes State contributions to the Civil Servants Cooperatives. The remaining components of this category include (i) payments for bonuses, (ii) State contributions to the Mutual Funds covering Member of Parliaments, employees of the Lebanese Parliament, 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 Civil Servant Cooperative and the Mutual Funds.