REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

February 2012

I. Introduction

Salaries, wages and related benefits payments which mainly include the cost of basic salaries, indemnities and allowances, rose by LL48 billion, from LL610 billion in January-February 2011 to LL657 billion in January-February 2012. This slower pace rise in payments of salaries and wages as compared to previous months is primarily attributed to adjustments in previous differences in timing of payments as well as some one-off payments; particularly the *(i) 1996-1998 retroactive*, (ii) the *one-off field service indemnity payment made in February 2011*, (iii) *payments of monthly salaries to the education personnel* and (iv) *the disbursements related to the civil servants cooperative.*

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Feb 2011	Jan-Feb 2012	2011/2010
Basic Salaries (inc. all retroactive payments)	447	453	1%
Basic Salaries (exc. all retroactive payments)	391	372	-5%

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

II. January-February 2011

Salaries, wages and related benefits represent the largest component of primary spending, accounting for 28 percent as of end February 2012.

Table 2. Breakdown of Article 13: Salaries, Wages and Related Benefits

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2011 Jan-Feb	2012 Jan-Feb	2011 Jan-Feb	2012 Jan-Feb	2011 Jan-Feb	2012 Jan-Feb	2011 Jan-Feb	2012 Jan-Feb	2011 Jan-Feb	2012 Jan-Feb
Military Personnel	**296**	**288**	**12**	**13**	**116**	**92**	**1**	**1**	**425**	**393**
• Army	200	168	8	8	92	81	0	0	300	257
• Internal Security Forces 1/	76	72	3	4	20	6	0	0	99	82
• General Security Forces 2/	16	14	0	1	3	1	1	0	20	16
• State Security Forces 3/	5	34	0	1	1	4	0	0	6	38
Education Personnel	**102**	**84**	**10**	**5**	**0**	**0**	**0**	**0**	**112**	**89**
Civil Personnel 4/, *of which:*	**49**	**81**	**12**	**12**	**0**	**1**	**5**	**68**	**66**	**161**
• Employees Cooperative							0	61	0	61
Customs Salaries 5/									**6**	**14**
Total	**447**	**453**	**34**	**29**	**116**	**93**	**6**	**68**	**610**	**657**

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 LL6 billion, from LL447 billion in January-February 2011 to LL453 billion in the similar period of 2012. This increase was triggered by higher payments to the civilian personnel (+ LL32 billion), which was partly offset by a decrease in payments to the military personnel (- LL8 billion) and education personnel (- LL 18 billion).

III.A. Basic Salaries of Military Personnel

The 3 percent decrease in basic salaries of the military personnel is primarily attributed to the *one-off field service indemnity payment* – which was made in February 2011 and amounted to LL 51.4 billion. Once the impact of this payment is removed, payments to military personnel display a LL45 billion increase that is driven by:

- The *sixth payment of the 1996-1998 retroactive*[1] *(for more information on retroactive payments kindly check Box Number 1)*. These payments – which were supposed to be remunerated in 2011 - were made through treasury advances[2] and culminated at around LL33 billion in January-February 2012 compared to nil in the similar period of 2011.
- The enlistment of additional recruits (estimated at 2,500) within the Internal Security Forces in 2011 that started to impact significantly salaries and wages starting August 2011.

III.B. Basic Salaries of Education Personnel

The 18 percent decrease in basic salaries paid to the education personnel in January-February 2012 is explained by timing factors as only the salaries and wages of February 2012 were transferred while the payment due for the month of March 2012 was delayed.[3]

This delay which reduced the actual payments to teachers recruited on a permanent basis from LL 102 billion in January-February 2011 to LL50 billion in January-February 2012 was significantly offset by:

- The *one-off retroactive payment* amounting to LL 20.3 billion[4] in January 2012 of the four exceptional echelons granted[5] to secondary teachers and to the second and third category

---

[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 Decree 6873 dated November 18th, 2011

[3] Salaries to permanent staff are paid in advance. Therefore, in January-February 2012, the Treasury should have been paying the salaries of February-March 2012.

[4] This payment was made through treasury advance as per Decree 7341 Dated December 19th, 2011, which legislated the payment of a total of LL 30 billion to cover the retroactive cost of the four exceptional echelons, for the period ranging between 1/1/2010 and 31/10/2011.

[5] As per Law 159 dated August 17th, 2011, which granted four exceptional echelons to secondary teachers and to the second and third category teachers in the Directorate General of Technical and Vocational education, divided as follows: 2 exceptional echelons as of 1/1/2010 and 2 exceptional echelons as of 1/1/2011. It is important to note that this law has also a permanent impact, as the total value of the four echelons will be incorporated in the related teachers' Basic Salary as of 1/1/2012.

of the education personnel in the Directorate General of Vocational and Technical education.

- The payment of LL 12.4 billion[6] of salaries for *contractual teachers in primary and intermediate education* for the third semester of the school year 2010/2011.

These two payments softened the impact of the original decrease helping bring up payments to education personnel to LL84 billion.

Box I: Retroactive Payments of Salaries and Wages

Since 2009, several retroactive payments are being made under the line item "Salaries and Wages":

- The *1996-1998 Retroactive for Salaries and Wages Scale* following the adoption of Law 63/2008 which allocated LL1,200 billion in the reserves of the 2009, 2010 and 2011 Budget Proposals to cover for their payments over three years in equal amounts of LL400 billion. The mechanism of the payment was set up by Minister of Finance Decision 550/1 dated May 28th, 2009 which stipulated that two payments should be made per year in June and December. In practice, however payments did not follow their planned schedule as the table below shows:

Table 1 (Box 1). Actual Payments of 1996-1998 retroactive

(LL Billion)	2009	2010	2011	Jan-Feb 2012	Total
1996-1998 Retroactive *	194	126	526	60	906

- *Excludes retroactive payments made to public institutions and to retirees as transfers under Article 14.*

In particular, a significant portion of the third and fourth payments were made in 2011 rather than 2010 and this in its turn pushed the fifth and sixth payments to spill over on early 2012. It should be noted that in addition to the LL906 billion paid to public servants under article 13, another LL110 billion were paid as transfers to retirees and public institutions under Article 14 bringing the total amount paid by end of February 2012 to LL1,016 billion. These were made out of the LL1,060 billion transferred by ministerial decisions from the budget reserves to the various economic articles in the national budget proposals.

-Other retroactive payments include:

- The LL 51.4 billion *one-off payment* in February 2011 of *retroactive field service indemnities* that accrued between May 2008 and February 2011 to military and security personnel. The payment was made as per Law 63/2008 and Law 151/2011.
- The LL29.2 billion *one-off payment for primary teachers echelons* in August 2011 for the January 2009 - August 2010 period (for more information, please refer to the December 2011 Salary and Wage Report). Payment made following Law 159/2011.
- A LL9 billion *one-off payment* in February 2012 as *foreign currency retroactive to the civil servants in the foreign service* (for more information, please refer to Box II).

[6] This payment was made through treasury advance as per Decree 7019 Dated December 1st, 2011.

III.C. Basic Salaries of Civilian Personnel

As for the 66 percent rise in payments to the civilian personnel, it is primarily due to delay in the *payments of the 1996-1998 retroactive*, which were supposed to be remunerated by the end of 2011. The difference in 1996-1998 retroactive between the payments made in January-February 2012 and those of January-February 2011 culminated at around LL13 billion or around 42 percent of the LL 32 billion increase.

From an administrative perspective, the most notable increases during this period were witnessed by (1) Lebanese overseas missions categories and (2) the judges' (including religious judges), which rose by LL13 billion and LL6.2 billion, respectively.

- The increase in payments to Lebanese overseas missions is mainly due to significant discrepancies in timing of payments of monthly salaries. Of the LL22.8 billion paid in January-February 2012, LL4.6 billion pertained to salaries of February-March 2012, 3.7 billion were paid to cover salaries and wages for 2011 (mainly the second half of the year), and LL5.0 billion covered salaries of the second half of 2010. Of the remaining LL9.4 billion, LL9.0 billion was paid as foreign currency retroactive (see Box II for more information) and the remaining as *1996-1998 salary and wage retroactive*. In January-February 2011 however, the LL9.9 billion paid during that period included LL2.0 billion for *the 1996-1998 retroactive,* LL4.8 billion for the salaries of February-March 2011 and LL3 billion for the salaries due in the second half of 2010.

- The rise of payment to judges from LL6.1 billion to LL13.8 billion between January-February 2011 and January-February 2012 is the result of payment timing factors due to the (i) *1996-1998 retroactive* – which amounted to LL4 billion in 2012 compared to nil in 2011 and (ii) the *judges' retroactive salary* and wage increase - which amounted to almost LL490 million[7] in January-February 2012. The remaining LL3.2 billion augmentation can be attributed to the actual increase in the salaries granted to judges (both civil and religious) following the adoption of a new salary and wage scale for them[8].

It is worth noting that some of the basic salary payments to the civilian personnel were made through treasury advances[9].

---

[7] These payments were made through treasury advances as per the following Decrees: Decree 6752 Dated October 29th, 2011, Decree 6823 Dated November 16th, 2011, Decree 6840 Dated November 17th, 2011 and Decree 6827 Dated November 16th, 2011.

[8] Following the adoption of Law 173 dated August 29th, 2011. For more information about the increase in the judges' wages, kindly refer to box II in the December 2011 issue of the S&W report.

[9] As per the following Decrees: Decree 6873 dated November 18th, 2011, Decree 6622 dated October 19th, 2011, Decree 7019 dated December 1st, 2011, Decree 7034 dated December 3rd, 2011 and Decree 7359 dated January 9th, 2012.

Box II: Foreign Currency Retroactive Payments of Salaries and Wages

In February 2012, a LL9 billion payment was made by the Ministry of Finance to the Ministry of Foreign Affairs. This payment covered the foreign currency retroactive due for the period starting in January 2005 and ending in July 2009. The issue of a salary and wage retroactive to be paid because of fluctuations in the foreign exchange rate arose after November 5th 1998, when Parliament approved Law 718 which introduced in its annexes the new salaries and wages scales for first, second and third categories civil servants in the foreign service.

For example, this is the salary and wage scale for first category civil servants. Note that starting January 1st, 1999 they are labeled in USD:

Echelon	Old Salary (in LBP) starting 1/1/1998	New Salary (in LBP equivalent of USD) starting 1/1/1999	New Salary (in LBP equivalent of USD) starting 1/5/2008	Echelon	Old Salary (in LBP) starting 1/1/1998	New Salary (in LBP equivalent of USD) starting 1/1/1999	New Salary (in USD) starting 1/5/2008
1	576,000	2,600	2,880	12	813,600	4,140	4,497
2	597,600	2,740	3,027	13	835,200	4,280	4,644
3	619,200	2,880	3,174	14	856,800	4,420	4,791
4	640,800	3,020	3,321	15	878,400	4,560	4,938
5	662,400	3,160	3,468	16	900,000	4,700	5,085
6	684,000	3,300	3,615	17	921,600	4,840	5,232
7	705,600	3,440	3,762	18	943,200	4,980	5,379
8	727,200	3,580	3,909	19	964,800	5,120	5,526
9	748,800	3,720	4,056	20	986,400	5,260	5,673
10	770,400	3,860	4,202	21	1,008,000	5,400	5,820
11	792,000	4,000	4,350	22	1,029,600	5,540	5,967

Source: Ministry of Finance

In its first article in line with international practice, Law 718/1998 also introduces the concept of a currency basket that should be used as pondering weights in order to adjust salaries and wages in the foreign service for foreign currency fluctuations.

The currencies chosen were the US Dollar (USD), the British Pound (GBP), the Deutsche Mark (DM), the Swiss Franc (CHF) and the Japanese Yen (JPY), each currency weighting 20 percent in the total wage. Moreover, the law allowed that the Euro (EUR) be used as a substitute in case any of the concerned country adopted it. This meant that if someone had a salary of USD 3,300 according to the scale above, his real salary is actually the sum of USD 660, GBP660, EUR660, CHF660 and JPY660. These amounts are then converted into USD and final payment is made in Lebanese Pounds. The adjustment could implies either a lower salary in US Dollar if the EUR depreciates or a higher if it appreciates. The strength of the Euro in the past years has implied a positive adjustment for Lebanese diplomats. This was not implemented however, before July 2009 and therefore a significant amount of retroactive had been accumulated for the January 1999-July 2009 period. The amounts due before 2005 however, were written off as per Article 115 of the Public Accounting Law of 1963 which cancels unclaimed dues after 4 years.

IV. Payments of Allowances

Allowances decreased by LL24 billion, from LL116 billion in January-February 2011 to LL93 billion in the comparable period of 2012, mainly as a result of lower payments to the Army (-LL11 billion) and the Internal Security Forces (-LL14 billion). Behind this reduction stands lower payments of *health and hospitality allowances* (-LL25 billion). This decrease is due to timing of payments as allowances are expected to witness an increase by end of 2012 in line with the higher allocations in the 2011 and 2012 Budget Proposals and the recent decision to increase hospitalization tariffs for the second time since 2009[10].

V. Payments to the Civil Servants' Cooperative

The item "other"[11], which is mainly composed of payments to the Civil Servants' cooperative, witnessed a notable increase in January-February 2012 compared to the relative period of 2011. This is due to a cash management issue and discrepancy in timing of payment, as LL61 billion[12] transfer was made to Civil Servants Cooperative in 2012 compared to nil in January-February 2011.

VI. Payments to Customs

Payments to Customs witnessed an increase of LL 8 billion in January-February 2012 relative to the same period of 2011. This difference is primarily attributed to the payment of LL9.3 billion made in January 2012 pertaining to disbursements related to the *1996-1998retroactive*. Similarly to basic salary payments to this category, this disbursement was made from the guarantees accounts.

---

[10] As per COM Decision Number 34 dated April 25th, 2012.

[11] 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.

[12] These payments were made through treasury advance from Decree 7005 dated November 30th, 2011, legislating the payment of a total of LL 61 billion to the Civil Servants' Cooperative to cover their incurred expenses until the end of 2011.