REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

July 2012

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, increased by LL 55 billion, from LL 2,155 billion in Jan-Jul 2011 to LL 2,210 billion in Jan-Jul 2012.

Out of that component, basic salaries reached LL 1,538 billion in Jan-Jul 2012, a LL 57 billion or 4 percent decrease compared to LL 1,596 billion paid in the same period in 2011. This decline can be explained by lower retroactive payments in 2012 when compared to the previous year. In fact, during the first seven months of 2012, various retroactive payments were LL 88 billion (out of LL 1,538 billion), much lower than the LL 195 billion (out of LL 1,596billion) paid in the same period of 2011.

If retroactive payments are excluded in both years, basic salaries would reach LL 1,401 billion in Jan-Jul 2011 compared to LL 1,449 billion in Jan-Jul 2012; an increase of 3 percent partly due to additional recruitment of internal security agents.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Jul 2011	Jan-July 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	1,596	1,538	-4%
Basic Salaries (exc. all retroactive payments)	1,401	1,449	3%

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

II. Breakdown of Salaries, Wages, and Related Benefits

Salaries, wages and related benefits represent the largest component of total primary spending, accounting for 20 percent for Jan-Jul 2012, down from 25 percent for the corresponding period of 2011.

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

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2011 Jan-Jul	2012 Jan-Jul	2011 Jan- Jul	2012 Jan- Jul	2011 Jan- Jul	2012 Jan- Jul	2011 Jan- Jul	2012 Jan- Jul	2011 Jan- Jul	2012 Jan- Jul
Military Personnel	**1,031**	**929**	**42**	**44**	**308**	**362**	**1**	**2**	**1,382**	**1,337**
• Army	689	584	27	27	192	239	0	2	908	852
• Internal Security Forces 1/	272	252	12	13	96	99	0	0	380	364
• General Security Forces 2/	52	48	2	2	14	13	1	1	69	64
• State Security Forces 3/	18	45	1	1	6	10	0	0	25	57
Education Personnel	**381**	**398**	**37**	**34**	**0**	**0**	**0**	**0**	**417**	**432**
Civil Personnel 4/, *of which:*	**183**	**211**	**39**	**39**	**2**	**4**	**107**	**157**	**332**	**411**
• *Employees Cooperative*							*85*	*136*	*85*	*136*
Customs Salaries 5/									**24**	**31**
Total	**1,596**	**1,538**	**118**	**117**	**310**	**366**	**108**	**159**	**2,155**	**2,210**

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

III.A. Basic Salaries of Military Personnel

The 10 percent decrease in basic salaries of military personnel is primarily attributed to the *one-off field service indemnity payment* – which was made in February 2011 and amounted to LL 52 billion and *the sixth payment of the 1996-1998 retroactive[1] payments* which was made in Jan-Jul 2011 for a total amount of LL 117 billion. The same payments reached nil and LL 33 billion respectively in Jan-Jul 2012. Once the impact of these payments is removed, payments to military personnel display a LL 34 billion increase that is mainly driven by the enlistment of additional recruits[2] (estimated at 1,570[3]) 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 4 percent increase in basic salaries paid to the education personnel in Jan-Jul 2012 is explained by the *one-off retroactive payment* amounting to LL 21 billion[4] paid in January 2012 of the four exceptional echelons granted[5] to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical education.

III.C. Basic Salaries of Civilian Personnel

The 16 percent rise in payments to the civilian personnel is partly due to the LL 16 billion *payments of 2005-2009 foreign currency retroactive[6]* in 2012, compared to nil in 2011.

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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] COM decision number 13 dated March 31, 2010
[3] As per the recruitment office of the Internal Security Force, an updated figure shows 1,570 additional recruits. This figure differs from the previous published number of 2,000 additional recruits released in the Salaries & Wages report of June 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.
6 For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report.

From an administrative classification[7] perspective, the most notable increases during this period occurred in the following categories: (1) diplomats in Lebanese overseas missions, (2) diplomats in the Central Administration at the Ministry of Foreign Affairs, and (3) judges[8] category, which rose by LL 12 billion, LL 7 billion and LL 15 billion, respectively.

- The increase in payments to diplomats in Lebanese overseas missions is due to significant discrepancies in timing of payments of monthly salaries following the payment in Jan-July 2012 of LL 5 billion that were due in the second half of 2010 and the LL 9 billion foreign currency retroactive payments which were partially offset by a decrease in the 1996-1998 retroactive payments by LL 4 billion.

- The increase in payments to Lebanese Diplomats who are in residence at the Central Administration of the Ministry of Foreign Affairs in Beirut is due to the LL 7 billion payment in April 2012 of the foreign currency retroactive[9].

- The rise of payment to all judges from LL 29 billion to LL 43 billion between Jan-Jul 2011 and Jan-Jul 2012 is mainly the result of the new salary and wage scale law[10] providing both civil and religious judges with higher salaries.

It is worth noting that some of the 2012 basic salary payments to the civilian personnel were made through treasury advances[11].

IV. Payments of Allowances

Allowances increased by LL 55 billion, from LL 310 billion in Jan-Jul 2011 to LL 366 billion in the comparable period of 2012, mainly as a result of higher payments to the Army (+LL 48 billion), the Internal Security Forces increased (+LL 3 billion) and the State Security Forces declined (+LL 4 billion). Behind the increase stands higher payments to *hospitalization allowances* (+LL 38 billion), *education allowances* (+LL 12 billion) and *maternity and sickness allowances* (+LL 4 billion).

V. Payments to the Civil Servants' Cooperative

The item "other"[12], which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a significant increase of LL 51 billion in Jan-Jul 2012. This is due to a cash

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7 An administrative classification arranges public expenditures by recipient ministries and general directorates.

[8] Including religious judges , civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council.

[9] As per the treasury advance provided in Decree 6873 dated 18 November 2011.

[10] 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.

[11] As per the following Decrees: Decree 6622 dated October 19th, 2011, Decree 6752 dated October 29th, 2011 Decree 6823 dated November 16th 2011, Decree 6827 dated November 16th, 2011, Decree 6840 dated November 17th, 2011,Decree 6873 dated November 18th, 2011, Decree 7034 dated December 3rd, 2011 and Decree 7359 dated January 9th, 2012.

[12] 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.

management issue and discrepancy in timing of payment, as LL 61 billion[13] out of the LL 136 billion transfer made to Civil Servants Cooperative in Jan-Jul 2012 were from the 2011 Budget Proposal allocation compared to a total transfer of LL 85 billion in Jan-Jul 2011.

VI. Payments to Customs

Payments to Customs witnessed an increase of LL 7 billion in Jan-Jul 2012 compared to the same period of 2011. This difference is primarily attributed to the payment of LL 9 billion made in Jan-Jul 2012 pertaining to disbursements related to the *1996-1998 retroactive*. Similarly to basic salary payments to this category, this disbursement was made from the guarantees accounts.

[13] These payments were mainly 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.