REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

March 2012

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, declined by LL113 billion, from LL1,062 billion in January-March 2011 to LL949 billion in January-March 2012. This fall in payments of salaries and wages is primarily attributed to adjustments in previous differences in timing of payments as well as some one-off payments made in 2011; particularly the *(i) 1996-1998 retroactive*, (ii) the *one-off field service indemnity payment made in February 2011* and (iii) *the disbursements related to the civil servants cooperative*. The important decline in all retroactive payments amounting to LL51 billion in QI 2012 compared to LL173 billion in QI2011 is due to the finalization of these payments, which included both the 1996-1998 retroactive and the field service indemnity retroactive.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-March 2011	Jan-March 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	753	698	-7%
Basic Salaries (exc. all retroactive payments)	580	647	11%

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 second largest component of primary spending, accounting for 29 percent as of end March 2012. Military personnel is the largest component of this item at 74 percent of salaries, wages, and related benefits in QI 2011 and 56 percent in the same period of 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-Mar	2012 Jan-Mar	2011 Jan-Mar	2012 Jan-Mar	2011 Jan-Mar	2012 Jan-Mar	2011 Jan-Mar	2012 Jan-Mar	2011 Jan-Mar	2012 Jan-Mar
Military Personnel	**534**	**414**	**18**	**19**	**228**	**101**	**1**	**1**	**781**	**535**
• Army	360	252	12	12	156	84	0	0	528	349
• Internal Security Forces 1/	138	105	5	6	57	11	0	0	200	122
• General Security Forces 2/	28	21	1	1	11	2	1	0	40	23
• State Security Forces 3/	8	36	0	1	4	4	0	0	13	41
Education Personnel	**148**	**181**	**15**	**15**	**0**	**0**	**0**	**0**	**163**	**195**
Civil Personnel 4/, *of which:*	**71**	**103**	**18**	**18**	**2**	**1**	**18**	**79**	**109**	**201**
• *Employees Cooperative*							*10*	*71*	*10*	*71*
Customs Salaries 5/									**9**	**17**
Total	**753**	**698**	**51**	**52**	**230**	**102**	**19**	**80**	**1,062**	**949**

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 fell by LL55 billion, from LL753 billion in January-March 2011 to LL698 billion in the similar period of 2012. This decrease was triggered by lower payments to the military personnel (- LL120 billion), which was partly offset by an increase in payments to the education personnel + LL 33 billion) and civilian personnel (+ LL32 billion).

III.A. Basic Salaries of Military Personnel

The 23 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 and *the third and fourth payment of the 1996-1998 retroactive[1] payments* which were made in March 2011 for a total amount of LL116 billion. The same payments reached nil and LL33 billion[2] respectively in January-March 2012[3]. Once the impact of these payments is removed, payments to military personnel display a LL15 billion increase that is driven by 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 22 percent increase in basic salaries paid to the education personnel in January-March 2012 is explained 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 of the education personnel in the Directorate General of Vocational and Technical education.

[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 Through a treasury advance as per Decree 6873 dated November 18th, 2011
3 For more information on retroactive payments made since 2009, see Box Number 1 in the Salary and Wage Report of February 2012, page 3.
[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.

- 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.

III.C. Basic Salaries of Civilian Personnel

The 46 percent rise in payments to the civilian personnel 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 payments made between January-March 2012 and in January-March 2011 culminated at around LL13 billion or 41 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) category, which rose by LL12 billion and LL8 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 LL25.4 billion paid in January-March 2012, LL7.2 billion pertained to salaries of February-April 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 in January-February 2012 Article 13 report for more information) and the remaining as *1996-1998 salary and wage retroactive*. In January-March 2011 however, the LL13.5 billion paid during that period included LL2.0 billion for *the 1996-1998 retroactive,* LL8.0 billion for the salaries of February-April 2011 and LL3 billion for the salaries due in the second half of 2010.

- The rise of payment to judges from LL7.0 billion to LL14.8 billion between January-March 2011 and January-March 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-March 2012. The remaining LL3.3 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].

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

[7] This payment was made through treasury advances as per Decree 6827 dated November16th, 2011 and Decree 6840 dated November 17th, 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 6622 dated October 19th, 2011, Decree 6752 dated October 29th, 2011 Decree 6823 dated November 16th 2011, Decree 6873 dated November 18th, 2011, Decree 7034 dated December 3rd, 2011 and Decree 7359 dated January 9th, 2012.

IV. Payments of Allowances

Allowances decreased by LL128 billion, from LL230 billion in January-March 2011 to LL102 billion in the comparable period of 2012, mainly as a result of lower payments to the Army (-LL72 billion), the Internal Security Forces (-LL47 billion) and the General Security Forces (-LL9 billion). Behind this reduction stands lower payments of *hospitalization allowances* (-LL38 billion), *education allowances* (-LL72 billion) and *maternity and sickness allowances* (-LL11 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-March 2012 compared to the relative period of 2011. This is due to a cash management issue and discrepancy in timing of payment, as LL71 billion[12] transfer was made to Civil Servants Cooperative in 2012 compared to only LL10 billion in January-March 2011.

VI. Payments to Customs

Payments to Customs witnessed an increase of LL 8 billion in January-March 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.