

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, increased by LL 27 billion, from LL1,574 billion in January-May 2011 to LL1,600 billion in January-May 2012.

Out of that component, basic salaries reached LL1,113 billion in January-May 2012, a LL58 billion or 5 percent decrease compared to LL1,171 billion paid in the same period in 2011. Out of the amount of LL1,113 billion, LL88 billion were made for various retroactive payments. As a comparison, a higher sum was paid for various retroactive payments in the same period of last year (LL174billion out of a total of LL1,171billion).

If retroactive payments are excluded in both years, basic salaries would have reached LL997 billion in January-May 2011 compared to LL1,025 billion in January-May 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-May 2011	Jan-May 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	1,171	1,113	-5%
Basic Salaries (exc. all retroactive payments)	997	1,025	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 primary spending, accounting for 20 percent for January –May 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-May	2012 Jan-May	2011 Jan-May	2012 Jan-May	2011 Jan-May	2012 Jan-May	2011 Jan-May	2012 Jan-May	2011 Jan-May	2012 Jan-May
Military Personnel	786	672	29	31	247	268	1	2	1,063	973
• Army	523	416	20	20	157	170	0	1	700	607
• Internal Security Forces 1/	209	181	8	10	73	78	0	0	290	268
• General Security Forces 2/	40	34	1	1	12	11	1	1	54	47
• State Security Forces 3/	14	41	1	1	5	9	0	0	19	50
Education Personnel	266	282	26	24	0	0	0	0	292	306
Civil Personnel 4/, of which:	120	160	29	28	2	2	50	107	200	297
• Employees Cooperative							35	91	35	91
Customs Salaries 5/									18	24
Total	1,171	1,113	84	83	249	270	51	109	1,574	1,600

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 14 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 51.7 billion and the sixth payment of the 1996-1998 retroactive¹ payments which was made in January-May 2011 for a total amount of LL117 billion. The same payments reached nil and LL 33 billion respectively in January-May2012. Once the impact of these payments is removed, payments to military personnel display a LL 22 billion increase that is mainly 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 10 percent increase in basic salaries paid to the education personnel in January-May 2012 is explained by the one-off retroactive payment amounting to LL 20.3 billion² paid in January 2012 of the four exceptional echelons granted³ 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 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.

³ 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.

III.C. Basic Salaries of Civilian Personnel

The 33 percent rise in payments to the civilian personnel is primarily due to the LL17 billion payments of 2005-2009 foreign currency retroactive⁴ and the delay in the LL12 billion payments of the 1996-1998 retroactive, which were expected to be disbursed by the end of 2011.

From an administrative classification⁵ 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) judges⁶ category, which rose by LL9 billion, LL 7 billion and LL15 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-May 2012 of LL5 billion that were due in the second half of 2010 and the LL9 billion foreign currency retroactive payments which were partially offset by a decrease in the 1996-1998 retroactive payments.
- 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 retroactive⁷. If we add the LL9 billion paid to the diplomats overseas, it means that a total of LL17 billion was paid in foreign currency retroactive to all diplomats in January-May 2012 as already mentioned in the economic classification analysis.
- The rise of payment to all judges from LL17.4 billion to LL32.6 billion between January-May 2011 and January-May 2012 is the result of payment timing factors due to the 1996-1998 retroactive – which amounted to LL4.2 billion in 2012 compared to nil in 2011. The remaining LL11.0 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 them⁸ in August 2011.

⁴ For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report..

⁵ An administrative classification is an administration that classifies public expenditures by recipient ministries and general directorates.

⁶ Including religious judges , civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council.

⁷ As per the treasury advance provided in Decree 6873 dated 18 November 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.

It is worth noting that some of the basic salary payments to the civilian personnel were made through treasury advances⁹.

IV. Payments of Allowances

Allowances increased by LL21 billion, from LL249 billion in January-May 2011 to LL270 billion in the comparable period of 2012, mainly as a result of higher payments to the Army (+LL13 billion). The Internal Security Forces (+LL 4 billion) and the State Security Forces (-LL 4 billion) offset each other. Behind the increase stands higher payments to education allowances (+LL38 billion) and maternity and sickness allowances (+LL2.4 billion) counterbalanced by lower payments of hospitalization allowances (-LL21 billion).

V. Payments to the Civil Servants' Cooperative

The item "other"¹⁰, which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a notable increase in January-May 2012 compared to the relative period of 2011. This is due to a cash management issue and discrepancy in timing of payment, as LL61 billion¹¹ out of the LL91 billion transfer made to Civil Servants Cooperative in Jan-May 2012 were from the 2011 Budget Proposal allocation compared to a total transfer of LL35 billion in January-May 2011.

VI. Payments to Customs

Payments to Customs witnessed an increase of LL 6 billion in January-May 2012 compared to the same period of 2011. This difference is primarily attributed to the payment of LL9.3 billion made in January-May 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.

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 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.

¹⁰ 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.

¹¹ 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.