

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, increased by LL 87 billion, from LL1,828 billion in January-June 2011 to LL1,916 billion in January-June 2012.

Out of that component, basic salaries reached LL1,339 billion in January-June 2012, a LL42 billion or 3 percent decrease compared to LL1,381 billion paid in the same period in 2011. During the first half of 2012, various retroactive payments were LL88 billion out of a total LL 1,339 billion. As a comparison, a higher sum was paid for various retroactive payments in the same period of last year (LL193 billion out of a total of LL1,381 billion).

If retroactive payments are excluded in both years, basic salaries would have reached LL1,188 billion in January-June 2011 compared to LL1,250 billion in January-June 2012; an increase of 5 percent partly due to additional recruitment of internal security agents.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-June 2011	Jan-June 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	1,381	1,339	-3%
Basic Salaries (exc. all retroactive payments)	1,188	1,250	5%

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

II. Breakdown of Salaries, Wages, and Related Benefits

Salaries and wages represent the largest component of total primary spending, accounting for 21 percent for January-June 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	2012	2011	2012	2011	2012	2011	2012	2011	2012
	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June	Jan-June
Military Personnel	909	800	35	37	260	305	1	2	1,206	1,144
• Army	607	501	23	23	162	197	0	1	793	724
• Internal Security Forces 1/	240	215	10	11	80	86	0	0	330	312
• General Security Forces 2/	46	41	2	2	13	12	1	1	62	55
• State Security Forces 3/	16	43	1	1	5	9	0	0	22	53
Education Personnel	313	353	32	30	0	0	0	0	345	383
Civil Personnel 4/, of which:	159	185	34	34	2	3	62	139	257	361
• Employees Cooperative							45	121	45	121
Customs Salaries 5/									21	27
Total	1,381	1,339	101	101	262	307	63	142	1,828	1,916

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 12 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-June 2011 for a total amount of LL117 billion. The same payments reached nil and LL 33 billion respectively in January-June 2012. Once the impact of these payments is removed, payments to military personnel display a LL 27 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 13 percent increase in basic salaries paid to the education personnel in January-June 2012 is explained by the one-off retroactive payment amounting to LL 21 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. In addition, payments to contractual increased by LL 15 billion mainly following a LL 12 billion⁴ payment for the third semester of the academic year 2010-2011, which constitutes a timing issue.

III.C. Basic Salaries of Civilian Personnel

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

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.

⁴ As per Decree 7019, dated 01/12/2011

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

in the Central Administration at the Ministry of Foreign Affairs, and (3) judges⁶ category, which rose by LL11 billion, LL 7 billion and LL13 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-June 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 by LL4 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 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-June 2012.
- The rise of payment to all judges from LL25 billion to LL38 billion between January-June 2011 and January-June 2012 is mainly the result of 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.

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 LL45 billion, from LL262 billion in January-June 2011 to LL307 billion in the comparable period of 2012, mainly as a result of higher payments to the Army (+LL36 billion), Internal Security Forces (+LL 6 billion) and State Security Forces (+LL 5 billion). The increase stands primarily from higher payments to education allowances (+LL34 billion) and hospitalization allowances (+LL5 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-June 2012 compared to the relative period of 2011. This is

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.

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.

due to a cash management issue and discrepancy in timing of payment, as LL61 billion¹¹ out of the LL121 billion transfer made to Civil Servants Cooperative in Jan-June 2012 were from the 2011 Budget Proposal allocation compared to a total transfer of LL45 billion in January-June 2011.

VI. Payments to Customs

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

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.