

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, grew from LL 1,353 billion in Jan-Apr 2012 to LL 1,459 billion in Jan-Apr 2013. The LL 106 billion rise is mainly attributed to (a) the LL 126 billion higher payments in basic salaries and (b) LL 10 billion growth in family indemnities. These increases were in turn driven by the cost of living adjustment, the enlistment of new recruits, and/or the promotion of current personnel. However, such rises were offset by a LL 14 billion decline in allowances and LL 10 billion decrease in *other* expenses mainly composed of payments to cooperative employees.

More specifically, basic salaries reached LL 1,039 billion in Jan-Apr 2013 compared to LL 914 billion paid in the same period in 2012, implying a 14 percent increase.

During Jan-Apr 2013, cost of living adjustment¹ and various retroactive payments² totaled LL 90 billion (out of LL 1,039 billion), compared to LL 89 billion (out of LL 914 billion) paid in the same period of 2012. If cost of living adjustment and retroactive payments are excluded in both years, basic salaries would reach LL 825 billion in Jan-Apr 2012 compared to LL 949 billion in Jan-Apr 2013, a growth of 15 percent, mainly due to an increase in basic salaries of military personnel which include a portion of cost of living adjustment and the breakdown between the two is not available.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Apr 2012	Jan-Apr 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	914	1,039	14%
Retroactive payments	89	1	-99%
Cost of living adjustment	-	89	N/A
Basic Salaries (exc. all retroactive payments)	825	949	15%

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 30 percent during Jan-Apr 2012 and 28 percent during the same period of 2013.

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

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2012 Jan-Apr	2013 Jan-Apr	2012 Jan-Apr	2013 Jan-Apr	2012 Jan-Apr	2013 Jan-Apr	2012 Jan-Apr	2013 Jan-Apr	2012 Jan-Apr	2013 Jan-Apr
Military Personnel	542	652	25	26	252	239	2	1	821	917
• Army	334	419	16	16	169	153	1	0	520	588
• Internal Security Forces 1/	142	185	8	8	63	67	0	0	213	261
• General Security Forces 2/	28	37	1	1	10	13	1	1	40	51
• State Security Forces 3/	38	11	1	0	9	6	0	0	48	17
Education Personnel	235	270	20	28	0	0	0	0	255	299
Civilian Personnel 4/, of which:	137	117	23	25	2	2	94	85	256	228
• Civil Servants'							81	70	81	70

¹ It should be noted that some payments include both the basic salary and the cost of living payment whereby the breakdown between the two is not readily available.

² Excluding customs retroactive payment and the cost of living adjustment which totaled LL 9 billion in Jan-Apr 2012 and LL 10 billion in Jan-Apr 2013.

<i>Cooperative</i>									
Customs Salaries 5/								22	16
Total	914	1,039	68	78	254	240	96	86	1,353
									1,459

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

Basic salaries of military personnel grew by 20 percent (LL 109 billion) mainly due to the LL 85 billion and LL 43 billion rise in payments respectively to members of the Army and Internal Security Forces, induced by a portion of cost of living payment included in basic salaries whereby the breakdown between the two is not available. The remaining share of cost of living adjustment³ amounted to LL 44 billion in Jan-Apr 2013.

The increase in basic salaries of military personnel was offset by lower payments of the 1996-1998 retroactive⁴ which totaled LL 33 billion in Jan-Apr 2012, compared to LL 0.7 billion in Jan-Apr 2013.

Once the impact of cost of living adjustment and retroactive payments is removed, basic salaries of military personnel increased from LL 509 billion to LL 607 billion, displaying an increase of 19 percent. The LL 98 billion increase is mainly due to higher payment of salaries to permanent military personnel, driven by the cost of living adjustment included in basic salaries.

Table 3: Impact of Retroactive Payments on Military Personnel Basic Salaries

in LL Billion	Jan-Apr 2012	Jan-Apr 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	542	652	20%
1996-1998 retroactive payments	33	1	-98%
Cost of living adjustment	-	44	N/A
Basic Salaries (exc. all retroactive payments)	509	607	19%

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

III.B. Basic Salaries of Education Personnel

The 15 percent (LL 36 billion) increase in basic salaries of education personnel in Jan-Apr 2013 is mainly explained by the following:

- LL 32 billion payment of cost of living adjustment during the period Jan-Apr 2013, compared to nil during the same period of 2012.

³ In 2012, cost of living payments included both the monthly increment for Sept-2012, Oct-2012, Nov-2012 and Dec-2012, and part of the retroactive payment for the period Feb-Aug 2012. It should be noted that some treasury advances include both the basic salary and the cost of living payment whereby the breakdown between the two is not readily available.

⁴ 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.

- LL 13 billion increase in basic salaries of primary and secondary trainee teachers respectively, mainly due to new recruits and some discrepancy in timing of payment.
- LL 11 billion growth in basic salaries of contractual teachers at the Directorate General of Education, induced by the enlistment of new teachers and/or the promotion of current personnel.

The above mentioned increases were partly offset by lower payment of retroactive relating to the four exceptional echelons granted to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical education. This payment was made in January 2012 and amounted to LL 20 billion⁵, while it was nil during Jan-Apr 2013.

Once the impact of the retroactive payment and the cost of living adjustment is removed, basic salaries of education personnel display an increase of LL 25 billion (12 percent).

Table 4: Impact of Retroactive Payments on Education Personnel's Basic Salaries

in LL Billion	Jan-Apr 2012	Jan-Apr 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	235	270	15%
Exceptional Degrees and 1996-1998 Retroactive	21	0	-100%
Cost of living adjustment	-	32	N/A
Basic Salaries (exc. all retroactive payments)	213	239	12%

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

III.C. Basic Salaries of Civilian Personnel

Payments to the civilian personnel dropped by 15 percent (LL 20 billion) partly due to lower payment of 1996-1998 and 2005-2009 Foreign Currency⁶ retroactive which totaled LL 17 billion and LL 16 billion respectively in Jan-Apr 2012, compared to LL 0.1 billion and nil in Jan-Apr 2013. The decrease was slightly offset by the cost of living adjustment which amounted to LL 13 billion in Jan-Apr 2013 compared to nil during the same period of 2012.

From an administrative classification⁷ perspective, the most notable decreases during this period occurred in the following categories: (1) diplomats in Lebanese overseas missions, (2) diplomats at the Central Administration of the Ministry of Foreign Affairs, and (3) judges⁸, which declined by LL 8 billion, LL 7 billion and LL 3 billion, respectively. The decrease 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-Apr 2012 of LL 5 billion that were due in 2010, LL 4 billion that were due in 2011 and the LL 9 billion foreign currency retroactive payments. These payments were quasi nil during the period Jan-Apr 2013.

Once the impact of the retroactive payment and the cost of living adjustment is removed, basic salaries of civilian personnel display an increase of 1 percent.

⁵ This payment was made through treasury advance as per Decree 7341 Dated December 29th, 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.

⁶ For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report.

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.

Table 5: Impact of Retroactive Payments on Civilian Personnel's Basic Salaries

in LL Billion	Jan-Apr 2012	Jan-Apr 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	137	117	-15%
1996-1998 Retroactive	17	0	-100%
Foreign Currency Retroactive – Ministry of Foreign Affairs	16	-	-100%
Cost of living adjustment	-	13	N/A
Other retroactive	1	0	-48%
Basic Salaries (exc. all retroactive payments)	103	104	1%

IV. Payments of Allowances

Allowances decreased by 5 percent (LL 14 billion), from LL 254 billion in Jan-Apr 2012 to LL 240 billion in the comparable period of 2013, mainly as a result of lower payments to the Army (LL 16 billion), and the State Security Forces (LL 3 billion).

More specifically, allowances to the Army declined mainly as a result of a LL 19 billion drop in school allowances, and a LL 2 billion decrease in sickness and maternity expenses, which were offset by a LL 11 billion increase in hospital expenses. As for allowances to State Security Forces, the reason behind the decline is mainly attributed to school allowance.

The aforementioned decreases were counterbalanced by a LL 4 billion increase in payments made to Internal Security Forces, mainly due to a LL 6 billion increase in school allowance.

It is worth noting that these changes are mainly the result of some discrepancy in timing of payment.

V. Payments to the Civil Servants' Cooperative

The item "other"⁹, which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a decrease of 11 percent (LL 10 billion) in Jan-Apr 2013, due to a cash management issue and discrepancy in timing of payment.

VI. Payments to Customs

Payments to Customs witnessed a decrease of 26 percent (LL 6 billion) in Jan-Apr 2013 compared to the same period of 2012, mainly due to the retroactive effect. It is worth mentioning that the 1996-1998 retroactive payment amounted to LL 9 billion in Jan-Apr 2012 and nil in Jan-Apr 2013, while the cost of living adjustment¹⁰ was LL 10 billion during Jan-Apr 2013.

⁹The 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 Civilian Servant Cooperative.

¹⁰ It should be noted that some treasury advances include both the basic salary and the cost of living payment whereby the breakdown between the two is not readily available.



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