

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, declined from LL 4,408 billion in 2012 to LL 4,275 billion in 2013. The LL 133 billion drop can be attributed to three main reasons: (a) the LL 84 billion lower payments in basic salaries chiefly explained by a number of exceptional retroactive payments in 2012, (b) the LL 48 billion decrease in *other* expenses mainly composed of payments to employees of the Civil Servants Cooperative, and (c) the LL 14 billion fall in allowances.

More specifically, basic salaries reached LL 3,175 billion in 2013 compared to LL 3,259 billion paid in 2012, implying a 3 percent decrease.

In 2013, retroactive payments¹ totaled LL 4 billion (out of LL 3,175 billion), compared to LL 213 billion (out of LL 3,259 billion) paid in 2012. If retroactive payments are excluded in both years, basic salaries would reach LL 3,045 billion in 2012 compared to LL 3,171 billion in 2013, a growth of 4 percent or LL 125 billion, mainly driven by the cost of living adjustment which started to be paid gradually in September 2012², chiefly to military personnel, and in October 2012 to Civilian and Education personnel.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Dec 2012	Jan-Dec 2013	2013/2012
Basic Salaries (including retroactive payments)	3,259	3,175	-3%
Retroactive payments	214	4	-98%
Basic Salaries (excluding retroactive payments)	3,045	3,171	4%

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

II. Breakdown of Salaries, Wages, and Related Benefits

“Salaries, wages and related benefits” accounted for 31 percent of total primary spending in 2013, and represented its largest component.

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

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Military Personnel	1,937	1,963	77	79	591	576	4	2	2,608	2,620
▪ Army	1,229	1,251	47	48	395	364	2	0	1,673	1,663
▪ Internal Security Forces 1/	540	570	23	24	156	170	0	0	719	764
▪ General Security Forces 2/	105	108	3	3	25	30	1	1	135	143
▪ State Security Forces 3/	63	34	3	3	15	12	0	0	81	49
Education Personnel	939	863	62	76	0	0	0	0	1,002	939
Civilian Personnel 4/, of which:	383	349	66	73	4	4	292	246	744	673
▪ Civil Servants' Cooperative							250	204	250	204
Customs Salaries 5/									53	44
Total	3,259	3,175	204	227	594	580	297	249	4,408	4,275

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

¹ Excluding customs retroactive payment which totaled LL 9 billion in 2012 and nil in 2013.

² Cost of living adjustment was effective starting February 2012 but started to be paid in September 2012.

- 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.
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 LL 26 billion mainly due to increases in payments to permanent members of (a) the Internal Security Forces (LL 26 billion), (b) the Army (LL 21 billion), and (c) the General Security Forces (LL 5 billion), induced by the cost of living adjustment included in basic salaries and/or the enlistment of new recruits and/or the promotion of current personnel. The increase in basic salaries of military personnel was offset by lower payments to the State Security Forces (LL 29 billion) as a result of the 1996-1998 retroactive³, compared to nil in 2013. The 1996-1998 retroactive payments to the Army and Internal Security Forces amounted to LL 3 billion in 2013 compared to LL 0.7 billion in 2012.

Once the impact of retroactive payments is removed, basic salaries of military personnel increase from LL 1,904 billion to LL 1,962 billion, displaying a growth of 3 percent (LL 58 billion).

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

in LL Billion	Jan-Dec 2012	Jan-Dec 2013	2013/2012
Basic Salaries (including retroactive payments)	1,937	1,963	1%
1996-1998 retroactive payments	33	1	-97%
Basic Salaries (excluding retroactive payments)	1,904	1,962	3%

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

III.B. Basic Salaries of Education Personnel

The 8 percent decrease in basic salaries of education personnel in 2013 is due to the retroactive payment of the four exceptional echelons⁴ amounting to LL 144 billion in 2012, while it was quasi-nil in 2013.

Once the impact of the retroactive payment is removed, basic salaries of education personnel display an increase of LL 67 billion (8 percent).

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

in LL Billion	Jan-Dec 2012	Jan-Dec 2013	2013/2012
Basic Salaries (including retroactive payments)	939	863	-8%
Exceptional Degrees and 1996-1998 Retroactive	144	0	-100%

³ 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.

⁴ The four exceptional echelons were granted to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical education as per laws 159 and 102.

Basic Salaries (excluding retroactive payments)	795	863	8%
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Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

The LL 67 billion rise (excluding retroactive payment) is mainly explained by an increase in basic salaries of permanent teachers⁵ (LL 21 billion), primary and secondary trainee teachers (LL 38 billion), and contractual teachers⁶ (LL 10 billion). The increase is mainly attributed to the enlistment of new contractual teachers whereby their number increased from 22,255 in 2012 to 24,596 in 2013; and permanent teachers from 30,391 in 2012 to 31,328 in 2013. Other reasons behind the increase relate to the promotion of current personnel, the cost of living adjustment which started to be gradually⁷ paid in October 2012 to the education personnel category, and a difference in the timing of payment.

III.C. Basic Salaries of Civilian Personnel

Payments to the civilian personnel declined by 9 percent (LL 33 billion). From an administrative classification⁸ perspective, the most notable decreases occurred at the level of diplomats at the Central Administration and those in Lebanese overseas missions (each declining by LL 8 billion). The reason behind the decrease in these two categories is mainly attributed to the foreign currency retroactive payment in 2012, respectively amounting to LL 7 billion and LL 9 billion. Other categories witnessing a decrease in basic salaries chiefly include (1) judges (LL 3 billion), (2) the Ministry of Public Health category (LL 2 billion), and (3) the Ministry of Telecommunication category (LL 2 billion).

Once the impact of the retroactive payment is removed, basic salaries of civilian personnel display a slight decrease of 0.2 percent (LL 1 billion), due to a drop in the number of civilian personnel from 17,281 in 2012 to 17,096 in 2013.

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

in LL Billion	Jan-Dec 2012	Jan-Dec 2013	2013/2012
Basic Salaries (including retroactive payments)	383	349	-9%
1996-1998 Retroactive	18	2	-87%
Foreign Currency Retroactive – Ministry of Foreign Affairs	16	-	-100%
Other retroactive	1	1	-11%
Basic Salaries (excluding retroactive payments)	347	346	0.2%

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

IV. Payments of Allowances

Allowances declined by LL 14 billion, from LL 594 billion in 2012 to LL 580 billion in 2013.

More specifically, allowances to the Army declined (LL 31 billion) mainly as a result of a LL 34 billion decrease in school allowances and LL 8 billion drop in hospital expenses. These decreases were slightly counterbalanced by a LL 12 billion increase in sickness and maternity expenses.

Allowances to the State Security Forces were down by LL 3 billion mainly resulting from a LL 2 billion drop in school allowances.

⁵ At the Directorate General of Education

⁶ At the Directorate General of Education

⁷ The full impact of cost of living adjustment to education personnel starts by end of December 2012.

⁸ An administrative classification arranges public expenditures by recipient ministries and general directorates.

The aforementioned decreases were counterbalanced by a LL 14 billion increase in payments made to the General Security Forces, mainly due to a LL 30 billion growth in hospital expenses, and LL 6 billion rise in medical expenses. Allowances to the Internal Security Forces increased by LL 5 billion, mainly attributed to higher payments for sickness and maternity (LL 2 billion) and hospital expenses (LL 1 billion).

V. Payments to the Civil Servants' Cooperative

The item "other"⁹, which is mainly composed of payments to the Civil Servants' Cooperative (*social security to public sector employees*), witnessed a decrease of 16 percent (LL 48 billion) in 2013, due to a discrepancy in timing of payment.

VI. Payments to Customs

Payments to the Customs Directorate's personnel witnessed a decrease of 19 percent (LL 10 billion) in 2013 compared to 2012. It is worth mentioning that the 1996-1998 retroactive payment amounted to LL 9 billion in 2012 and nil in 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.



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