REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Salaries, Wages and Related Benefits

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I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, decreased from LL 657 billion in Jan-Feb 2012 to LL 646 billion in Jan-Feb 2013. The LL 11 billion drop is mainly attributed to (a) LL 48 billion lower payments under "*other*" expenses mainly composed of payments to the Employees' Cooperative" and (b) LL 29 billion decrease in *allowances.* This was counterbalanced by rises of LL 57 billion in basic salaries and LL 13 billion in family indemnities.

More specifically, basic salaries reached LL 510 billion in Jan-Feb 2013, a 13 percent increase compared to LL 453 billion paid in the same period in 2012. In details, during Jan-Feb 2013, cost of living adjustment and various retroactive payments totaled LL 45 billion (out of LL 510 billion), compared to LL 81 billion[1] (out of LL 453 billion) paid in the same period of 2012. If cost of living adjustment[2] and retroactive payments are excluded in both years, basic salaries would reach LL 372 billion in Jan-Feb 2012 compared to LL 465 billion in Jan-Feb 2013, a growth of 25 percent, mainly due to an increase in basic salaries of military personnel driven by either the enlistment of new recruits or the promotion of current personnel.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Feb 2012	Jan-Feb 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	**453**	**510**	**13%**
Retroactive payments[3]	81	1	-99%
Cost of living adjustment	-	44	N/A
Basic Salaries (exc. all retroactive payments)	**372**	**465**	**25%**

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 28 percent during Jan-Feb 2012 and 29 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-Feb	2013 Jan-Feb	2012 Jan-Feb	2013 Jan-Feb	2012 Jan-Feb	2013 Jan-Feb	2012 Jan-Feb	2013 Jan-Feb	2012 Jan-Feb	2013 Jan-Feb
Military Personnel	**288**	**325**	**13**	**13**	**92**	**64**	**1**	**0**	**393**	**402**
• Army	168	211	8	8	81	48	0	0	257	268
• Internal Security Forces 1/	72	89	4	4	6	12	0	0	82	105
• General Security Forces 2/	14	19	1	1	1	3	0	0	16	23
• State Security Forces 3/	34	6	1	0	4	1	0	0	38	7
Education Personnel	**84**	**128**	**5**	**18**	**0**	**0**	**0**	**0**	**89**	**146**
Civilian Personnel 4/, *of which:*	**81**	**57**	**12**	**11**	**1**	**0**	**68**	**19**	**161**	**88**
• *Employees Cooperative*							*61*	*10*	*61*	*10*
Customs Salaries 5/									**14**	**10**

[1] Excluding customs retroactive payment which totaled LL 9 billion in Jan-Feb 2012 and LL 4 billion in Jan-Feb 2013.

[2] Cost of living adjustment amounted to LL 44 billion during Jan-Feb 2013 out of the LL 49 billion monthly estimate (as per Payments of Order at MoF) or the equivalent of LL 98 billion for the period Jan-Feb. The reason behind this difference is mainly related to discrepancy in timing of payment.

[3] Mainly include the 1996-1998 retroactive payment to military, education and civilian, as well as the exceptional echelons provided to education personnel.

Total	453	510	29	43	93	64	68	20	657	646

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 13 percent increase in basic salaries of military personnel is primarily attributed to (1) higher basic salaries of members of the Army by LL 43 billion, induced by either the enlistment of new recruits or the promotion of current personnel, (2) an increase in cost of living adjustment[4] which started to be made in September 2012 and amounted to LL 21 billion in Jan-Feb 2013, and (3) a discrepancy in timing of payment.

The increase in basic salaries of military personnel was slightly offset by the significantly lower payments of the 1996-1998 retroactive[5] which totaled LL 33 billion in Jan-Feb 2012, compared to LL 0.7 billion in 2013.

Once the impact of cost of living adjustment and retroactive payments is removed, basic salaries of military personnel increase from LL 255 billion to LL 303 billion, displaying a rise of LL 48 billion.

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

in LL Billion	Jan-Feb 2012	Jan-Feb 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**288**	**325**	**13%**
1996-1998 retroactive payments	33	1	-98%
Cost of living adjustment	-	21	N/A
Basic Salaries (exc. all retroactive payments)	**255**	**303**	**19%**

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

III.B. Basic Salaries of Education Personnel

The 52 percent (LL 44 billion) increase in basic salaries of education personnel in Jan-Feb 2013 is mainly explained by the following:

- LL 32 billion and LL 15 billion increases in basic salaries of primary and secondary teachers respectively, mainly due to some discrepancy in timing of payment. More specifically, basic salaries of February and March were settled during Jan-Feb 2013, compared to the payment of February basic salaries during the period Jan-Feb 2012.

[4] 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.

[5] 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 16 billion payment of cost of living adjustment during the period Jan-Feb 2013, compared to nil during the same period of 2012.

The increase in basic salaries of education personnel was offset by the 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 21 billion[6], while it was nil during Jan-Feb 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 49 billion (78 percent).

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

in LL Billion	Jan-Feb 2012	Jan-Feb 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**84**	**128**	**52%**
Exceptional Degrees and 1996-1998 Retroactive	21	-	N/A
Cost of living adjustment	-	16	N/A
Basic Salaries (exc. all retroactive payments)	**63**	**112**	**78%**

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

III.C. Basic Salaries of Civilian Personnel

The LL 24 billion drop in payments to the civilian personnel is partly due to the lower payment of 1996-1998 retroactive payment which totaled LL 27 billion in Jan-Feb 2012, compared to LL 0.2 billion in Jan-Feb 2013. The decrease was slightly offset by the cost of living adjustment which amounted to LL 7 billion in Jan-Feb 2013 compared to nil during the same period of 2012.

From an administrative classification[7] perspective, the most notable decreases during this period occurred in the following categories: (1) diplomats in Lebanese overseas missions, (2) judges[8] category, and (3) ministry of telecommunication category, which declined by LL 12 billion, LL 4 billion and LL 1 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-Feb 2012 of LL 5 billion that were due in 2010 and the LL 9 billion foreign currency retroactive payments. Both payments were nil during the period Jan-Feb 2013.

Once the impact of the retroactive payment and the cost of living adjustment is removed, basic salaries of civilian personnel display a decrease of 7 percent.

IV. Payments of Allowances

[6] 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.

[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.

Allowances declined by LL 29 billion, from LL 93 billion in Jan-Feb 2012 to LL 64 billion in the comparable period of 2013, mainly as a result of lower payments to the Army (LL 33 billion), and the State Security Forces (LL 3 billion).

More specifically, allowances to the Army dropped chiefly as a result of a LL 25 billion decline in schooling allowance, and a LL 17 billion decrease in hospitalization expenses, which were offset by a LL 7 billion increase in sickness and maternity allowances. As for allowances to State Security Forces, the reason behind the decline is mainly attributed to a LL 3 billion decrease in education allowance.

These were counterbalanced by a LL 6 billion increase in payments made to Internal Security Forces, mainly driven by a LL 3 billion increase in hospitalization 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 LL 48 billion in Jan-Feb 2013, due to a cash management issue and discrepancy in timing of payment.

VI. Payments to Customs

Payments to Customs witnessed a decrease of LL 5 billion in Jan-Feb 2013 compared to the same month of 2012, mainly due to the retroactive effect. The 1996-1998 retroactive payment amounted to LL 9 billion in Jan-Feb 2012 and nil in Jan-Feb 2013, while the cost of living adjustment was less than LL 4 billion in January 2013.

Once the impact of the retroactive and the cost of living payments is removed, payments to Customs display an increase of LL 1 billion during Jan-Feb 2013.

[9] 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 Civilian Servant Cooperative.

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