

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, decreased by LL 58 billion, from LL 416 billion in January 2012 to LL 358 billion in January 2013 (kindly refer to Box 2). The LL 58 billion decrease is mainly attributed to (a) LL 48 billion decrease in *retroactive payment and cost of living adjustment* (b) LL 27 billion decrease in *other* payments mainly composed of payments to cooperative employees and (c) LL 12 billion decrease in *allowances*.

Out of that component, basic salaries reached LL 264 billion in January 2013, a LL 24 billion or 8 percent decrease compared to LL 288 billion paid in the same period in 2012. In details, during January 2013, cost of living adjustment and various retroactive payments totaled LL 23 billion (out of LL 264 billion), compared to LL 72 billion¹ (out of LL 288 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 216 billion in January 2012 compared to LL 241 billion in January 2013, an increase of 12 percent, mainly due to an increase in basic salaries of military personnel.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	January 2012	January 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	288	264	-8%
Retroactive payments	72	1	-99%
Cost of living adjustment	-	22	N/A
Basic Salaries (exc. all retroactive payments)	216	241	12%

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 29 percent during the months of January 2012 and 2013.

On a separate note, it is worth noting that January figures are not highly reflective of year-end results due to some discrepancy in timing of payment.

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

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2012 January	2013 January	2012 January	2013 January	2012 January	2013 January	2012 January	2013 January	2012 January	2013 January
Military Personnel	161	166	6	7	56	44	1	0	224	217
• Army	85	107	4	4	47	38	0	0	136	149
• Internal Security Forces 1/	38	45	2	2	4	6	0	0	44	53
• General Security Forces 2/	7	11	0	0	1	1	0	0	8	12
• State Security Forces 3/	32	3	0	0	3	0	0	0	36	3
Education Personnel	81	67	4	14	0	0	0	0	85	81
Civilian Personnel 4/, of which:	45	31	5	6	1	0	43	17	95	54
• Employees Cooperative							41	10	41	10
Customs Salaries 5/									12	6
Total	288	264	16	26	57	47	44	17	416	358

¹ Excluding customs retroactive payment which totaled LL 9 billion in January 2012 and nil in January 2013. It is worth mentioning that during January 2013, cost of living adjustment amounted to LL 22 billion out of the LL 61 billion monthly estimate (as per Payments of Order at MoF), most likely due to a lag in payments.

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 3 percent increase in basic salaries of military personnel is primarily attributed to the cost of living adjustment² which started to be made in September 2012 and amounted to LL 11 billion in January 2013.

The increase in basic salaries of military personnel was slightly offset by the lower payments of the 1996-1998 retroactive³ which totaled LL 33 billion in January 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 increased from LL 128 billion to LL 154 billion, displaying a rise of LL 26 billion, partly due to higher basic salaries of members of the Army by LL 22 billion, induced by either the enlistment of new recruits or the promotion of current personnel.

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

in LL Billion	January 2012	January 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	161	166	3%
1996-1998 retroactive payments	33	1	-98%
Cost of living adjustment	-	11	N/A
Basic Salaries (exc. all retroactive payments)	128	154	20%

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

III.B. Basic Salaries of Education Personnel

The 17 percent decline in basic salaries of education personnel in January 2013 is mainly explained by the following:

- Lower payment of retroactive relating to the four exceptional echelons granted (kindly refer to Box 1) 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 billion⁴, while it was nil in January 2013.

² 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.

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 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.

- Lower payment of basic salaries for contractual teachers in primary and intermediate education for the third semester of the school year 2010/2011. The payment totaled LL 12 billion⁵ in January 2012, compared to LL 6 billion in January 2013.

Box 1. The Four Exceptional Echelons to Teachers

Law 159 dated August 17th, 2011 granted four exceptional echelons to secondary teachers and to second and third category teachers in the Directorate General of Technical and Vocational education. The exceptional echelons were 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 were incorporated in the related teachers' Basic Salary as of 1/1/2012.

The decline in basic salaries paid to education personnel was slightly counterbalanced by a LL 2 billion increase in basic salaries of the Directorate General of Education personnel, coupled with the cost of living adjustment totaling LL 8 billion and paid in January 2013.

Once the impact of the retroactive payment and the cost of living adjustment is removed, basic salaries of education personnel display a decrease of LL 1 billion (1 percent).

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

in LL Billion	January 2012	January 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	81	67	-17%
Exceptional Degrees and 1996-1998 Retroactive	21	-	N/A
Cost of living adjustment	-	8	N/A
Basic Salaries (exc. all retroactive payments)	60	59	-1%

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

III.C. Basic Salaries of Civilian Personnel

The LL 15 billion drop in payments to the civilian personnel is partly due to the lower payment of 1996-1998 retroactive payment which totaled LL 17 billion in January 2012, compared to LL 0.2 billion in January 2013. The decrease was slightly offset by the cost of living adjustment which amounted to LL 3 billion in January 2013 compared to nil in same period of 2012.

From an administrative classification⁶ perspective, the most notable decreases during this period occurred in the following categories: (1) judges⁷ category, (2) diplomats in Lebanese overseas missions, and (3) ministry of telecommunication category, which declined by LL 4 billion, LL 2 billion and LL 1 billion, respectively.

Once the impact of the retroactive payment and the cost of living adjustment is removed, basic salaries of civilian personnel display a decrease of LL 1 billion.

⁵ This payment was made through treasury advance as per Decree 7019 Dated December 1st, 2011.

⁶ An administrative classification arranges public expenditures by recipient ministries and general directorates.

⁷ Including religious judges, civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council.

IV. Payments of Allowances

Allowances declined by LL 12 billion, from LL 57 billion in January 2012 to LL 45 billion in the comparable month of 2013, mainly as a result of lower payments to the Army (LL 10 billion) and State Security Forces (LL 3 billion).

More specifically, allowances to the Army dropped chiefly as a result of a LL 16 billion decrease in hospitalization expenses, which were offset by a LL 5 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 2 billion increase in payments made to Internal Security Forces, mainly driven by a LL 1 billion increase in education allowance.

It is worth noting that these changes are mainly the result of some discrepancy in timing of payment and are not indicative of year-end results.

V. Payments to the Civil Servants' Cooperative

The item "other"⁸, which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a decrease of LL 27 billion in January 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 6 billion in January 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 January 2012 and nil in January 2013, while the cost of living adjustment was less than LL 1 billion in January 2013.

Once the impact of the retroactive and the cost of living payments is removed, payments to Customs amount to LL 3 billion in January 2012 compared to LL 6 billion in January 2013.

Box 2. Salaries and Wages Coverage

Salaries and wages cover **basic salaries** of all employees (namely full-time and part-time employees, consultants, advisors, and workers earning a lump-sum amount, but excluding the daily workforce), as well as **compensations** (such as family, overtime and transportation), **allowances** (including sickness and maternity, marriage, birth, death, hospitalization, schools, social spending, treatment in medical centers), **bonuses**, and **contributions to mutual funds** (such as those of COOP employees, members and employees of parliament, judges and judges of religious courts, and contributions to the Lebanese University.)

⁸The 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.