## I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, grew from LL 2,210 billion in Jan-Jul 2012 to LL 2,405 billion in Jan-Jul 2013. The LL 194 billion rise is mainly attributed to (a) the LL 280 billion higher payments in basic salaries, and (b) the LL 13 billion increase in family indemnities. These rises were offset by a LL 57 billion decline in allowances, and a LL 39 billion drop in *other* expenses mainly composed of payments to employees of the Civil Servants Cooperative.

More specifically, basic salaries reached LL 1,818 billion in Jan-Jul 2013 compared to LL 1,538 billion paid in the same period in 2012, implying an 18 percent increase.

During Jan-Jul 2013, retroactive payments[1] totaled LL 1 billion (out of LL 1,818 billion), compared to LL 89 billion (out of LL 1,538 billion) paid in the same period of 2012. If retroactive payments are excluded in both years, basic salaries would reach LL 1,449 billion in Jan-Jul 2012 compared to LL 1,817 billion in Jan-Jul 2013, a growth of 25 percent. The LL 367 billion rise was mainly driven by the cost of living adjustment, the enlistment of new personnel and/or the promotion of current employees.

**Table 1. Impact of Retroactive Payments on Basic Salaries**

| in LL Billion | Jan-Jul 2012 | Jan-Jul 2013 | 2013/2012 |
|---|---|---|---|
| **Basic Salaries (inc. all retroactive payments)** | **1,538** | **1,818** | **18%** |
| Retroactive payments | 89 | 1 | -98% |
| **Basic Salaries (exc. all retroactive payments)** | **1,449** | **1,817** | **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 second largest component of total primary spending, after Various Transfers, accounting for 29 percent during Jan-Jul 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-Jul | 2013 Jan-Jul | 2012 Jan-Jul | 2013 Jan-Jul | 2012 Jan-Jul | 2013 Jan-Jul | 2012 Jan-Jul | 2013 Jan-Jul | 2012 Jan-Jul | 2013 Jan-Jul |
| **Military Personnel** | **929** | **1,139** | **44** | **44** | **362** | **306** | **2** | **1** | **1,337** | **1,491** |
| • Army | 584 | 728 | 27 | 28 | 239 | 179 | 2 | 0 | 852 | 934 |
| • Internal Security Forces 1/ | 252 | 329 | 13 | 14 | 99 | 100 | 0 | 0 | 364 | 444 |
| • General Security Forces 2/ | 48 | 62 | 2 | 2 | 13 | 21 | 1 | 1 | 64 | 86 |
| • State Security Forces 3/ | 45 | 19 | 1 | 1 | 10 | 7 | 0 | 0 | 57 | 27 |
| **Education Personnel** | **398** | **472** | **34** | **44** | **0** | **0** | **0** | **0** | **432** | **516** |
| **Civilian Personnel 4/**, *of which:* | **211** | **208** | **39** | **41** | **4** | **2** | **157** | **119** | **411** | **370** |
| • *Civil Servants' Cooperative* | | | | | | | *136* | *97* | *136* | *97* |
| **Customs Salaries 5/** | | | | | | | | | **31** | **28** |
| **Total** | **1,538** | **1,818** | **117** | **130** | **366** | **309** | **159** | **121** | **2,210** | **2,405** |

*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 Jan-Jul 2012 and nil during the corresponding period of 2013.

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 23 percent (LL 209 billion) mainly due to increases in payments to permanent members of (a) the Army (LL 142 billion), (b) the Internal Security Forces (LL 80 billion), and (c) the General Security Forces (LL 13 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 of the 1996-1998 retroactive[2] which totaled LL 33 billion in Jan-Jul 2012, compared to LL 0.7 billion in Jan-Jul 2013.

Once the impact of retroactive payments is removed, basic salaries of military personnel increased from LL 896 billion to LL 1,138 billion, displaying an increase of 27 percent (LL 242 billion).

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

| in LL Billion | Jan-Jul 2012 | Jan-Jul 2013 | 2013/2012 |
|---|---|---|---|
| **Basic Salaries (inc. cost of living and all retroactive payments)** | **929** | **1,139** | **23%** |
| 1996-1998 retroactive payments | 33 | 1 | -98% |
| **Basic Salaries (exc. all retroactive payments)** | **896** | **1,138** | **27%** |

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

## *III.B. Basic Salaries of Education Personnel*

The 19 percent (LL 74 billion) increase in basic salaries of education personnel in Jan-Jul 2013 is mainly explained by the following:

- LL 45 billion increase in basic salaries of primary teachers at the Directorate General of Education, mainly due to cost of living adjustment, as well as new recruits and/or promotion of current personnel.
- LL 30 billion rise in basic salaries of primary and secondary trainees, chiefly driven by the recruitment of new teachers.
- LL 12 billion growth in basic salaries of secondary teachers at the Directorate General of Education, induced by the cost of living adjustment, as well as 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

[2] 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.

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[3], while it was quasi-nil during Jan-Jul 2013.

Once the impact of the retroactive payment is removed, basic salaries of education personnel display an increase of LL 95 billion (25 percent).

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

| in LL Billion | Jan-Jul 2012 | Jan-Jul 2013 | 2013/2012 |
|---|---|---|---|
| **Basic Salaries (inc. cost of living and all retroactive payments)** | **398** | **472** | **19%** |
| Exceptional Degrees and 1996-1998 Retroactive | 21 | 0 | -100% |
| **Basic Salaries (exc. all retroactive payments)** | **376** | **472** | **25%** |

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

### *III.C. Basic Salaries of Civilian Personnel*

Payments to the civilian personnel dropped by 2 percent (LL 3 billion) partly due to lower payment of 1996-1998 and 2005-2009 foreign currency[4] retroactive, which totaled LL 17 billion and LL 16 billion, respectively, in Jan-Jul 2012, compared to LL 0.1 billion and nil, respectively, in Jan-Jul 2013. The decrease was slightly offset by the cost of living adjustment which amounted to at least LL 22 billion in Jan-Jul 2013 compared to nil during the same period of 2012.

From an administrative classification[5] perspective, the most notable decreases during this period occurred in the following categories: (1) Lebanese diplomats at the Central Administration of the Ministry of Foreign Affairs, (2) diplomats in Lebanese overseas missions, and (3) Ministry of Telecommunication category which declined by LL 7 billion, LL 2 billion and LL 1 billion, respectively. The decline in payments to diplomats at the Central Administration is mainly due to the LL 7 billion foreign currency retroactive that were paid in 2012. As for the decrease in payments to diplomats in Lebanese overseas missions, it is due to significant discrepancies in timing of payments of monthly salaries following the payment in Jan-Jul 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 counterbalanced by the payment in Jan-Jul 2013 of LL 11 billion that were due in 2012 and LL 6 billion that were due in 2011.

These decreases were slightly offset by increases in the following categories: (1) Ministry of Finance category (LL 2 billion), (2) Parliament category (LL 1 billion), and (3) Ministry of Defense category (LL 1 billion).

Once the impact of the retroactive payment is removed, basic salaries of civilian personnel display an increase of 17 percent (LL 34 billion), mainly driven by the cost of living adjustment.

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

| in LL Billion | Jan-Jul 2012 | Jan-Jul 2013 | 2013/2012 |
|---|---|---|---|
| **Basic Salaries (inc. cost of living and all retroactive payments)** | **211** | **208** | **-2%** |

[3] 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.

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

[5] An administrative classification arranges public expenditures by recipient ministries and general directorates.

| | | | |
|---|---|---|---|
| 1996-1998 Retroactive | 17 | 0 | -97% |
| Foreign Currency Retroactive – Ministry of Foreign Affairs | 16 | - | -100% |
| Other retroactive | 1 | 0 | -84% |
| **Basic Salaries (exc. all retroactive payments)** | **177** | **207** | **17%** |

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

## IV. Payments of Allowances

Allowances declined by LL 57 billion, from LL 366 billion during the period Jan-Jul 2012 to LL 309 billion during the comparable period of 2013.

More specifically, allowances to the Army declined (LL 61 billion) mainly as a result of a LL 50 billion drop in hospital expenses, and a LL 15 billion decrease in school allowances, which were offset by a LL 5 billion increase in sickness and maternity expenses. As for allowances to State Security Forces, the reason behind the decline (LL 3 billion) is mainly attributed to decreases in school allowances (LL 2 billion) and hospital expenses (LL 1 billion).

The aforementioned decreases were counterbalanced by an LL 8 billion increase in payments made to General Security Forces, mainly due to a LL 3 billion rise in hospital expenses, LL 2 billion growth in sickness and maternity expenses, LL 2 billion growth in school allowances.

These changes are mainly the result of some difference in timing of payment.

## V. Payments to the Civil Servants' Cooperative

The item "other"[6], which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a decrease of 24 percent (LL 39 billion) in Jan-Jul 2013, due to a difference in timing of payment.

## VI. Payments to Customs

Payments to Customs witnessed a decrease of 9 percent (LL 3 billion) in Jan-Jul 2013 compared to the same period of 2012. The 1996-1998 retroactive payment amounted to LL 9 billion in Jan-Jul 2012 and nil in Jan-Jul 2013, while the cost of living adjustment[7] was around LL 13 billion during Jan-Jul 2013.

[6] 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.

[7] 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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