REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

March 2013

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, grew from LL 949 billion in Jan-Mar 2012 to LL 976 billion in Jan-Mar 2013. The LL 28 billion rise is mainly attributed to (a) the LL 66 billion higher payments in basic salaries and (b) LL 10 billion growth in family indemnities. This increase was offset by a LL 47 billion decline in *other* expenses mainly composed of payments to cooperative employees.

More specifically, basic salaries reached LL 764 billion in Jan-Mar 2013 compared to LL 698 billion paid in the same period in 2012, implying a 9 percent increase.

During Jan-Mar 2013, cost of living adjustment and various retroactive payments totaled LL 67 billion (out of LL 764 billion), compared to LL 81 billion[1] (out of LL 698 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 617 billion in Jan-Mar 2012 compared to LL 696 billion in Jan-Mar 2013, a growth of 13 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-Mar 2012	Jan-Mar 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	**698**	**764**	**9%**
Retroactive payments	81	1	-99%
Cost of living adjustment	-	66	N/A
Basic Salaries (exc. all retroactive payments)	**617**	**697**	**13%**

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 periods Jan-Mar 2012 and 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-Mar	2013 Jan-Mar	2012 Jan-Mar	2013 Jan-Mar	2012 Jan-Mar	2013 Jan-Mar	2012 Jan-Mar	2013 Jan-Mar	2012 Jan-Mar	2013 Jan-Mar
Military Personnel	**414**	**489**	**19**	**19**	**101**	**105**	**1**	**0**	**535**	**614**
• Army	252	315	12	12	84	83	0	0	349	410
• Internal Security Forces 1/	105	138	6	6	11	18	0	0	122	162
• General Security Forces 2/	21	28	1	1	2	3	0	0	23	32
• State Security Forces 3/	36	8	1	0	4	1	0	0	41	10
Education Personnel	**181**	**188**	**15**	**23**	**0**	**0**	**0**	**0**	**195**	**211**
Civilian Personnel 4/, *of which:*	**103**	**87**	**18**	**19**	**1**	**0**	**79**	**32**	**201**	**139**
• *Civil Servants' Cooperative*							*71*	*20*	*71*	*20*
Customs Salaries 5/									**17**	**13**
Total	**698**	**764**	**52**	**62**	**102**	**105**	**80**	**32**	**949**	**976**

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 and the cost of living adjustment which totaled LL 9 billion in Jan-Mar 2012 and LL 7 billion in Jan-Mar 2013. 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.

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 18 percent mainly due to the LL 63 billion rise in payments to members of the Army, induced by either the enlistment of new recruits or the promotion of current personnel. Another factor behind the increase is the cost of living adjustment[2] which started to be made in September 2012 and amounted to LL 33 billion in Jan-Mar 2013.

The increase in basic salaries of military personnel was offset by lower payments of the 1996-1998 retroactive[3] which totaled LL 33 billion in Jan-Mar 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 381 billion to LL 456 billion, displaying a slightly higher rise of 20 percent.

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

in LL Billion	Jan-Mar 2012	Jan-Mar 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**414**	**489**	**18%**
1996-1998 retroactive payments	33	1	-98%
Cost of living adjustment	-	33	N/A
Basic Salaries (exc. all retroactive payments)	**381**	**456**	**20%**

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

III.B. Basic Salaries of Education Personnel

The 4 percent increase in basic salaries of education personnel in Jan-Mar 2013 is mainly explained by the following:

- LL 24 billion payment of cost of living adjustment during the period Jan-Mar 2013, compared to nil during the same period of 2012.
- LL 9 billion increase in basic salaries of primary and secondary trainee teachers respectively, mainly due to some discrepancy in timing of payment.
- LL 5 billion growth in basic salaries of primary teachers at the Directorate General of Education, induced by either the enlistment of new teachers or the promotion of current personnel.

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[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.

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 billion[4], while it was nil during Jan-Mar 2013. Payments to contractual teachers also declined by LL 10 billion, resulting in a total net increase of LL 7 billion in basic salaries to education personnel.

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 4 billion (3 percent).

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

in LL Billion	Jan-Mar 2012	Jan-Mar 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**181**	**188**	**4%**
Exceptional Degrees and 1996-1998 Retroactive	21	0	-100%
Cost of living adjustment	-	24	N/A
Basic Salaries (exc. all retroactive payments)	**159**	**164**	**3%**

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

III.C. Basic Salaries of Civilian Personnel

The LL 16 billion drop in payments to the civilian personnel is partly due to lower payment of 1996-1998 and 2005-2009 Foreign Currency[5] retroactive which totaled LL 17 billion and LL 9 billion respectively in Jan-Mar 2012, compared to LL 0.3 billion and nil in Jan-Mar 2013.

The decrease was slightly offset by the cost of living adjustment which amounted to LL 10 billion in Jan-Mar 2013 compared to nil during the same period of 2012.

From an administrative classification[6] perspective, the most notable decreases during this period occurred in the following categories: (1) diplomats in Lebanese overseas missions, (2) judges[7], and (3) ministry of telecommunication, which declined by LL 9 billion, LL 3 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-Mar 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-Mar 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.

[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.

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

[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.

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

in LL Billion	Jan-Mar 2012	Jan-Mar 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**103**	**87**	**-16%**
1996-1998 Retroactive	17	0	-98%
Foreign Currency Retroactive – Ministry of Foreign Affairs	9	-	N/A
Cost of living adjustment	-	10	N/A
Other retroactive	1	0	-95%
Basic Salaries (exc. all retroactive payments)	**76**	**77**	**1%**

IV. Payments of Allowances

Allowances increased by LL 3 billion, from LL 102 billion in Jan-Mar 2012 to LL 105 billion in the comparable period of 2013, mainly as a result of higher payments to the Internal Security Forces (LL 7 billion), and the General Security Forces (LL 2 billion).

More specifically, allowances to the Internal Security Forces increased mainly as a result of a LL 6 billion rise in hospital expenses, and a LL 2 billion growth in medical expenses, which were slightly offset by a LL 3 billion decrease in social allowances. As for allowances to General Security Forces, the reason behind the increase is mainly attributed to sickness and maternity allowance.

The aforementioned increases were counterbalanced by a LL 4 billion drop in payments made to State Security Forces, mainly due to a LL 3 billion decline in schooling 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"[8], which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a decrease of LL 47 billion in Jan-Mar 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 4 billion in Jan-Mar 2013 compared to the same period of 2012, mainly due to the retroactive effect. The 1996-1998 retroactive payment amounted to LL 9 billion in Jan-Mar 2012 and nil in Jan-Mar 2013, while the cost of living adjustment[9] was LL 7 billion during Jan-Mar 2013.

Once the impact of the retroactive and the cost of living payments is removed, payments to Customs display a decrease of LL 2 billion during Jan-Mar 2013.

[8] 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.

[9] 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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