REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

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I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, declined from LL 3,922 billion in Jan-Nov 2012 to LL 3,793 billion in Jan-Nov 2013. The LL 130 billion drop is mainly attributed to (a) the LL 30 billion lower payments in basic salaries chiefly explained by a number of exceptional retroactive payments during the period Jan-Nov 2012, (b) the LL 67 billion fall in allowances, and (c) the LL 43 billion decrease in *other* expenses mainly composed of payments to employees of the Civil Servants Cooperative.

More specifically, basic salaries reached LL 2,865 billion in Jan-Nov 2013 compared to LL 2,895 billion paid in the same period in 2012, implying a 1 percent decrease.

During Jan-Nov 2013, retroactive payments[1] totaled LL 4 billion (out of LL 2,865 billion), compared to LL 189 billion (out of LL 2,895 billion) paid in the same period of 2012. If retroactive payments are excluded in both years, basic salaries would reach LL 2,707 billion in Jan-Nov 2012 compared to LL 2,861 billion in Jan-Nov 2013, a growth of 6 percent. The LL 154 billion rise was mainly driven by the cost of living adjustment which started to be paid gradually in September 2012[2] mainly to military personnel, and in October to Civilian and Education personnel. Another reason behind the increase can be attributed to 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-Nov 2012	Jan-Nov 2013	2013/2012
Basic Salaries (including retroactive payments)	**2,895**	**2,865**	**-1%**
Retroactive payments	189	4	-98%
Basic Salaries (excluding retroactive payments)	**2,707**	**2,861**	**6%**

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 the period under consideration 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 Jan-Nov	2013 Jan-Nov	2012 Jan-Nov	2013 Jan-Nov	2012 Jan-Nov	2013 Jan-Nov	2012 Jan-Nov	2013 Jan-Nov	2012 Jan-Nov	2013 Jan-Nov
Military Personnel	**1,773**	**1,795**	**70**	**72**	**555**	**490**	**4**	**2**	**2,401**	**2,358**
▪ Army	1,127	1,144	43	44	376	300	2	0	1,548	1,489
▪ Internal Security Forces 1/	493	520	21	22	142	150	0	0	657	693
▪ General Security Forces 2/	92	99	3	3	23	29	1	1	119	132
▪ State Security Forces 3/	60	31	3	3	14	11	0	0	78	45
Education Personnel	**801**	**751**	**46**	**57**	**0**	**0**	**0**	**0**	**848**	**808**
Civilian Personnel 4/, *of which:*	**321**	**320**	**56**	**63**	**5**	**4**	**241**	**200**	**624**	**586**
▪ *Civil Servants' Cooperative*							*210*	*164*	*210*	*164*

[1] Excluding customs retroactive payment which totaled LL 9 billion in Jan-Nov 2012 and nil during the same period of 2013.

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

Customs Salaries 5/									**49**	**40**
Total	**2,895**	**2,865**	**173**	**192**	**560**	**493**	**245**	**202**	**3,922**	**3,793**

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.
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 22 billion mainly due to increases in payments to members of (a) the Internal Security Forces (LL 27 billion), (b) the Army (LL 17 billion), and (c) the General Security Forces (LL 6 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 retroactive[3] which totaled LL 30 billion in Jan-Nov 2012, compared to nil in Jan-Nov 2013. The 1996-1998 retroactive payments to the Army and Internal Security Forces amounted to LL 3 billion in Jan-Nov 2013 compared to LL 0.7 billion in Jan-Nov 2012.

Once the impact of retroactive payments is removed, basic salaries of military personnel increased from LL 1,740 billion to LL 1,794 billion, displaying a growth of 3 percent (LL 54 billion).

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

in LL Billion	Jan-Nov 2012	Jan-Nov 2013	2013/2012
Basic Salaries (including retroactive payments)	**1,773**	**1,795**	**1%**
1996-1998 retroactive payments	33	1	-97%
Basic Salaries (excluding retroactive payments)	**1,740**	**1,794**	**3%**

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

III.B. Basic Salaries of Education Personnel

The 6 percent decrease in basic salaries of education personnel in Jan-Nov 2013 is due to the retroactive payment of the four exceptional echelons[4] amounting to LL 120 billion during Jan-Nov 2012, while it was quasi-nil during Jan-Nov 2013.

[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 during the Jan-Nov 2012 period.

Once the impact of the retroactive payment is removed, basic salaries of education personnel display an increase of LL 70 billion (10 percent).

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

in LL Billion	Jan-Nov 2012	Jan-Nov 2013	2013/2012
Basic Salaries (including retroactive payments)	**801**	**751**	**-6%**
Exceptional Degrees and 1996-1998 Retroactive	120	0	-100%
Basic Salaries (excluding retroactive payments)	**681**	**751**	**10%**

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

The LL 70 billion rise (excluding retroactive payment) is mainly explained by an increase in basic salaries of primary and secondary teachers at the Directorate General of Education (LL 56 billion), primary and secondary trainee teachers (LL 40 billion), and contractual teachers at the Directorate General of Education (LL 11 billion). The reason behind the increase is mainly attributed to the enlistment of new teachers and/or the promotion of current personnel, the cost of living adjustment which started to be gradually[5] paid in October 2012 to education category, and a difference in the timing of payment.

III.C. Basic Salaries of Civilian Personnel

Payments to the civilian personnel declined by 0.5 percent (LL 1 billion). From an administrative classification[6] perspective, the most notable decreases during this period occurred in the following categories: (1) diplomats at the Central Administration (LL 8 billion), and (2) the Ministry of Telecom category (LL 1 billion). These decreases were mainly counterbalanced by higher payments to (1) judges (LL 4 billion) and (2) diplomat in Lebanese overseas mission (LL 3 billion).

Once the impact of the retroactive payment is removed, basic salaries of civilian personnel display an increase of 10 percent (LL 30 billion), partly due to the promotion of current employees.

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

in LL Billion	Jan-Nov 2012	Jan-Nov 2013	2013/2012
Basic Salaries (including retroactive payments)	**321**	**320**	**-0.5%**
1996-1998 Retroactive	18	2	-86%
Foreign Currency Retroactive – Ministry of Foreign Affairs	16	-	-100%
Other retroactive	1	1	-11%
Basic Salaries (excluding retroactive payments)	**286**	**316**	**10%**

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

IV. Payments of Allowances

Allowances declined by LL 67 billion, from LL 560 billion during the period Jan-Nov 2012 to LL 493 billion during the comparable period of 2013.

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

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

More specifically, allowances to the Army declined (LL 76 billion) mainly as a result of a LL 51 billion drop in hospital expenses and LL 42 billion decrease in school allowances. These decreases were slightly offset by a LL 16 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.

The aforementioned decreases were counterbalanced by an LL 8 billion increase in payments made to the Internal Security Forces, mainly due to a LL 7 billion growth in school allowances, LL 5 billion increase in medical expenses, and LL 3 billion rise in hospital expenses. These increases were counterbalanced by a LL 7 billion drop in sickness and maternity expenses. Allowances to the General Security Forces increased by LL 6 billion attributed to higher payments for sickness and maternity (LL 3 billion) and hospital expenses (LL 2 billion).

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"[7], which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a decrease of 18 percent (LL 43 billion) in Jan-Nov 2013, due to a discrepancy in timing of payment.

VI. Payments to Customs

Payments to Customs witnessed a decrease of 17 percent (LL 9 billion) in Jan-Nov 2013 compared to the same period of 2012. It is worth mentioning that the 1996-1998 retroactive payment amounted to LL 9 billion in Jan-Nov 2012 and nil in Jan-Nov 2013.

[7] 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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