

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, rose by LL 24 billion, from LL1,329 billion in January-April 2011 to LL1,353 billion in January-April 2012.

Basic salaries reached LL914 billion in January-April 2012 a LL59 billion or 6 percent decrease compared to LL972 billion registered in the same period in 2011. Of the LL914 billion paid in Jan-April 2012, LL88 billion were made for various retroactive payments whereas of the LL972 billion payment made in Jan-April 2011, a total of LL174 billion were made as various retroactive payments.

Therefore, if we exclude the retroactive payments, basic salaries reached LL799 billion in Jan-April 2011 and LL826 billion in Jan-April 2012 which is equivalent to a LL27 billion or 3 percent increase that was partly due to additional recruitment of internal security agents.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-April 2011	Jan-April 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	972	914	-6%
Basic Salaries (exc. all retroactive payments)	799	826	3%

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 primary spending, accounting for 30 percent as of end April 2012 compared to 35 percent by end of April 2011

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

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr	Jan-Apr
Military Personnel	664	542	24	25	240	252	1	2	928	821
• Army	442	334	16	16	156	169	0	1	614	520
• Internal Security Forces 1/	177	142	6	8	68	63	0	0	252	213
• General Security Forces 2/	34	28	1	1	11	10	1	1	47	40
• State Security Forces 3/	11	38	1	1	4	9	0	0	16	48
Education Personnel	214	235	21	20	0	0	0	0	235	255
Civil Personnel 4/, of which:	95	137	23	23	2	2	35	94	154	256
• Employees Cooperative							25	81	25	81
Customs Salaries 5/									12	22
Total	972	914	68	68	241	254	36	96	1,329	1,353

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

Basic Salaries fell by LL59 billion, from LL972 billion in January-April 2011 to LL914 billion in the similar period of 2012. This decrease was triggered by lower payments to the military personnel (- LL122 billion), which was partly offset by an increase in payments to the education personnel (+ LL 21 billion) and civilian personnel (+ LL42 billion).

III.A. Basic Salaries of Military Personnel

The 18 percent decrease in basic salaries of the military personnel is primarily attributed to the one-off field service indemnity payment – which was made in February 2011 and amounted to LL 51.7 billion and the sixth payments of the 1996-1998 retroactive¹ payments which were made in January-April 2011 for a total amount of LL116 billion. The same payments reached nil and LL 33 billion respectively in January-April 2012. Once the impact of these payments is removed, payments to military personnel display a LL 14 billion increase that is mainly driven by the enlistment of additional recruits (estimated at 2,500) within the Internal Security Forces in 2011 that started to impact significantly salaries and wages starting August 2011.

III.B. Basic Salaries of Education Personnel

The 10 percent increase in basic salaries paid to the education personnel in January-April 2012 is explained by the one-off retroactive payment amounting to LL 20.3 billion² in January 2012 of the four exceptional echelons granted³ to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical education.

¹ 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.

² This payment was made through treasury advance as per Decree 7341 Dated December 19th, 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.

³ As per Law 159 dated August 17th, 2011, which granted four exceptional echelons to secondary teachers and to the second and third category teachers in the Directorate General of Technical and Vocational education, 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 will be incorporated in the related teachers' Basic Salary as of 1/1/2012.

III.C. Basic Salaries of Civilian Personnel

The 44 percent rise in payments to the civilian personnel is primarily due to the *payment of the 2005-2009 foreign exchange retroactive* (for more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report) and the delay in the payments of the 1996-1998 retroactive, which were supposed to be remunerated by the end of 2011. The difference in the foreign exchange retroactive and 1996-1998 retroactive payments made between January-April 2012 and in January-April 2011 amounted to LL17 billion (40 percent) and LL13 billion (or 31 percent) of the LL42 billion increase respectively.

From an administrative perspective, the most notable increases during this period were witnessed by (1) Lebanese overseas missions categories, (2) Lebanese diplomats in the Central Administration at the Ministry of Foreign Affairs and (3) the judges (including religious, civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council) category, which rose by LL14 billion, LL7 billion and LL13 billion, respectively.

- The increase in payments to Lebanese overseas missions is mainly due to significant discrepancies in timing of payments of monthly salaries. Of the LL32 billion paid in January-April 2012, LL13.6 billion pertained to salaries of February-May 2012, LL3.7 billion were paid to cover salaries and wages for 2011 (mainly the second half of the year), LL5 billion covered salaries of the second half of 2010. Of the remaining LL9.3 billion, LL9 billion was paid⁴ as foreign currency retroactive (see Box II in January-February 2012 Article 13 report for more information) and the remaining as 1996-1998 salary and wage retroactive. In January-April 2011 however, the LL18 billion paid during that period included LL2 billion for the 1996-1998 retroactive, LL12.9 billion for the salaries of February-May 2011 and LL3 billion for the salaries due in the second half of 2010.
- The increase in payments to Lebanese Diplomats who are not in mission overseas and who are in residence at the Ministry of Foreign Affairs in Beirut is due to the LL 7 billion payment in April 2012 of the foreign currency retroactive⁵ which means that a total of LL16 billion was paid in foreign currency retroactive to diplomats in January-April 2012.
- The rise of payment to all judges from LL14 billion to LL26.9 billion between January-April 2011 and January-April 2012 is the result of payment timing factors due to the 1996-1998 retroactive – which amounted to LL4 billion in 2012 compared to nil in 2011. The remaining LL8.5 billion augmentation can be attributed to the actual increase in the

⁴ As per the treasury advance provided in Decree 6873 dated 18 November 2011.

⁵ As per the treasury advance provided in Decree 6873 dated 18 November 2011.

salaries granted to judges (both civil and religious) following the adoption of a new salary and wage scale for them⁶.

It is worth noting that some of the basic salary payments to the civilian personnel were made through treasury advances⁷.

IV. Payments of Allowances

Allowances increased by LL13 billion, from LL241 billion in January-April 2011 to LL254 billion in the comparable period of 2012, mainly as a result of higher payments to the Army (+LL13 billion). The Internal Security Forces (-LL5 billion) and the General Security Forces (+LL5 billion) off set each other. Behind the increase stands higher payments of education allowances (+LL38 billion) and maternity and sickness allowances (+LL4 billion) offset by lower payments of hospitalization allowances (-LL30 billion)..

V. Payments to the Civil Servants' Cooperative

The item "other"⁸, which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a notable increase in January-April 2012 compared to the relative period of 2011. This is due to a cash management issue and discrepancy in timing of payment, as LL81 billion⁹ transfer was made to Civil Servants Cooperative in 2012 compared to only LL25 billion in January-April - 2011.

VI. Payments to Customs

Payments to Customs witnessed an increase of LL 10 billion in January-April 2012 relative to the same period of 2011. This difference is primarily attributed to the payment of LL9.3 billion made in January 2012 pertaining to disbursements related to the 1996-1998retroactive. Similarly to basic salary payments to this category, this disbursement was made from the guarantees accounts.

⁶ Following the adoption of Law 173 dated August 29th, 2011. For more information about the increase in the judges' wages, kindly refer to box II in the December 2011 issue of the S&W report.

⁷ As per the following Decrees: Decree 6622 dated October 19th, 2011, Decree 6752 dated October 29th, 2011 Decree 6823 dated November 16th 2011, Decree 6827 dated November 16th, 2011, Decree 6840 dated November 17th, 2011, Decree 6873 dated November 18th, 2011, Decree 7034 dated December 3rd, 2011 and Decree 7359 dated January 9th, 2012.

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 Civil Servant Cooperative.

⁹ These payments were mainly made through treasury advance from Decree 7005 dated November 30th, 2011, legislating the payment of a total of LL 61 billion to the Civil Servants' Cooperative to cover their incurred expenses until the end of 2011.

