

## I. Introduction

Salaries, wages and related benefits payments which mainly include the cost of basic salaries, indemnities and allowances, increased by LL170 billion, from LL246 billion in January 2011 to LL416 billion in January 2012.

## II. Salaries, Wages and Related benefits in January 2012 compared to January 2011

Salaries, wages and related benefits represent the largest component of primary spending, accounting for 29 percent as of end January 2012.

Of the LL170 billion increase registered in January 2012 relative to the same period of 2011:

- Almost LL97 billion is attributed to differences in timing of payments; particularly the 1996-1998 *retroactive* (LL56 billion) and the *payments related to the civil servants cooperatives* (LL41 billion).
- Almost LL20 billion is due to the *retroactive payment of the four exceptional echelons* given to some members of the Education personnel.

**Table 1. Breakdown of Article 13: Salaries, Wages and Related Benefits**

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2011 Jan	2012 Jan	2011 Jan	2012 Jan	2011 Jan	2012 Jan	2011 Jan	2012 Jan	2011 Jan	2012 Jan
<b>Military Personnel</b>	<b>122</b>	<b>161</b>	<b>6</b>	<b>6</b>	<b>28</b>	<b>56</b>	<b>0</b>	<b>1</b>	<b>157</b>	<b>224</b>
• Army	82	85	4	4	12	47	0	0	98	136
• Internal Security Forces 1/	32	38	2	2	14	4	0	0	48	44
• General Security Forces 2/	6	7	0	0	2	1	0	0	8	8
• State Security Forces 3/	2	32	0	0	0	3	0	0	3	36
<b>Education Personnel</b>	<b>49</b>	<b>81</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54</b>	<b>85</b>
<b>Civil Personnel 4/, of which:</b>	<b>25</b>	<b>45</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>43</b>	<b>33</b>	<b>95</b>
• Employees Cooperative							0	41	0	41
<b>Customs Salaries 5/</b>									<b>3</b>	<b>12</b>
<b>Total</b>	<b>197</b>	<b>288</b>	<b>15</b>	<b>16</b>	<b>29</b>	<b>57</b>	<b>3</b>	<b>44</b>	<b>246</b>	<b>416</b>

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 rose by LL91 billion, from LL197 billion in January 2011 to LL288 billion in January 2012. Behind this increase stands higher payments to the military and security forces (+LL39 billion) and education personnel (+LL32 billion) and civilian personnel (+LL20 billion).

#### III.A. Basic Salaries of Military Personnel

The LL39 billion (32 percent) increase in basic salaries of the military personnel can be primarily attributed to disbursement of the remaining amounts pertaining to the fifth and sixth payment of the 1996-1998 retroactive<sup>1</sup>. These payments – which were supposed to be remunerated by the end of 2011 - were made through treasury advances<sup>2</sup> and culminated at around LL33 billion in January 2012 compared to nil in the similar period of 2011.

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

The LL32 billion (64 percent) rise in basic salaries paid to the education personnel in January 2012 is mainly explained by the following:

- The retroactive payment amounting to LL 20.3 billion<sup>3</sup> of the four exceptional echelons granted<sup>4</sup> to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical education.
- The payment of LL 12.4 billion<sup>5</sup> of salaries for contractual teachers in primary and intermediate education for the third semester of the school year 2010/2011.

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

As for the LL20 billion (82 percent) rise in payments to the civilian personnel, it is primarily due to delay in the payments of the 1996-1998 retroactive, which were supposed to be remunerated by the end of 2011. The difference in 1996-1998 retroactive between the payments made in January 2012 and those of January 2011 culminated at around LL14 billion or around 70 percent of the LL20 billion increase.

Looking at the salaries of the civilian personnel from an administrative perspective, the most notable increases during this period were witnessed by the judges' (including religious judges) and Lebanese overseas missions categories. These increases are detailed below:

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<sup>1</sup> 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.

<sup>2</sup> As per Decree 6873 dated November 18th, 2011

<sup>3</sup> 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 31/1/2011.

<sup>4</sup> 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.

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

- The rise of LL6.5 billion of the former from LL2.9 billion to LL9.4 billion between January 2011 and January 2012 is the result of (i) payment timing factors due to the 1996-1998 retroactive – which amounted to LL3 billion in 2012 compared to nil in 2011 and (ii) the actual increase in the salaries granted to judges (both civil and religious) – which amounted to almost LL 3 billion in January 2012 compared to the same period of 2011 - following the adoption of a new salary and wage scale for them<sup>6</sup> and (iii) the judges’ retroactive salary and wage increase - which amounted to almost LL424 million<sup>7</sup> in January 2012, compared to nil in the similar period of 2011.
- The increase in payments to Lebanese overseas missions which amounted to almost LL 4.5 billion is mainly due to significant discrepancies in timing of payments of monthly salaries. Of the LL9.6 billion paid in January 2012, LL2.5 billion were paid to cover salaries and wages due in the second half of 2011, LL2.5 billion pertained to salaries of February 2012 and LL3.8 billion covered salaries of the second half of 2010. Compared to January 2011 however, the LL5 billion paid during that period included LL2 billion for the 1996-1998 retroactive and LL3 billion for the salaries due in the second half of 2010.

It is worth noting that some of the basic salary payments to the civilian personnel were made through treasury advances<sup>8</sup>.

#### IV. Payments of Allowances

Allowances increased by LL28 billion, from LL29 billion in January 2011 to LL57 billion in January 2012, mainly as a result of higher payments to the Army (+LL35 billion). Behind this enlargement stands higher payments of health and hospitality allowances (an estimated LL41 billion). The rise in health allowances paid to the Army is the result of the decision to unify the hospitalization tariffs reimbursed by all insuring schemes sponsored. The vast majority of these allowances were paid from the allocations made to this category in the 2011 Budget Proposal<sup>9</sup>.

#### V. Payments to the Civil Servants’ Cooperative

The item “other”<sup>10</sup>, which is mainly composed of payments to the Civil Servants’ cooperative, witnessed a notable increase compared to the relative period of 2011. This is due to a

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<sup>6</sup> 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.

<sup>7</sup> These payments were made through treasury advances as per the following Decrees: Decree 6752 Dated October 29th, 2011, Decree 6823 Dated November 16th, 2011, Decree 6840 Dated November 17th, 2011 and Decree 6827 Dated November 16th, 2011.

<sup>8</sup> As per the following Decrees: Decree 6873 dated November 18<sup>th</sup>, 2011, Decree 6622 dated October 19<sup>th</sup>, 2011, Decree 7034 dated December 3<sup>rd</sup>, 2011 and Decree 7359 dated January 9<sup>th</sup>, 2012.

<sup>9</sup> The increase in army allowances as a result of the tariff harmonization policy decided by the Council of Ministers first appeared in the 2009 Budget Proposal (an extra LL42 billion), then in the 2010 Budget Proposal (an extra LL4 billion), and in the 2011 Budget Proposal (an extra LL27 billion). On a cash basis, this is translated by a rise of LL 1.3 billion per month in 2010 compared to 2009 and an increase of LL 3.0 billion per month in 2011 as compared to 2010.

<sup>10</sup> 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.

cash management issue and discrepancy in timing of payment, as LL41 billion<sup>11</sup> transfer was made to Civil Servants Cooperative in January 2012 compared to nil in January 2011.

## **VI. Payments to Customs**

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

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<sup>11</sup> These payments were 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 expenses until the end of 2011.