

## I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, increased by LL 709 billion, from LL 3,213 billion in Jan-Nov 2011 to LL 3,922<sup>1</sup> billion in Jan-Nov 2012.

Out of that component, basic salaries reached LL 2,895 billion in Jan-Nov 2012, a LL 472 billion or 19 percent increase compared to LL 2,423 billion paid in the same period in 2011. This increase is mainly the result of the 2012 cost of living payments<sup>2</sup>. In details, during Jan-Nov 2012, cost of living adjustment and various retroactive payments totaled LL 619 billion (out of LL 2,895 billion), much higher than the LL 206 billion (out of LL 2,423 billion) paid in the same period of 2011. If cost of living adjustment and retroactive payments are excluded in both years, basic salaries would reach LL 2,217 billion in Jan-Nov 2011 compared to LL 2,275 billion in Jan-Nov 2012, an increase of 3 percent, partly due to additional recruitment of internal security agents and discrepancy in timing of payment to education personnel.

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

in LL Billion	Jan-Nov 2011	Jan-Nov 2012	2012/2011
<b>Basic Salaries (inc. all retroactive payments)</b>	<b>2,423</b>	<b>2,895</b>	<b>19%</b>
Retroactive payments	206	198	-4%
2012 cost of living adjustment	-	422	N/A
<b>Basic Salaries (exc. all retroactive payments)</b>	<b>2,217</b>	<b>2,275</b>	<b>3%</b>

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 30 percent for Jan-Nov 2012, down from 32 percent for the corresponding period of 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-Nov	Jan-Nov	Jan-Nov	Jan-Nov	Jan-Nov	Jan-Nov	Jan-Nov	Jan-Nov	Jan-Nov	Jan-Nov
<b>Military Personnel</b>	<b>1,522</b>	<b>1,773</b>	<b>67</b>	<b>70</b>	<b>384</b>	<b>555</b>	<b>2</b>	<b>4</b>	<b>1,976</b>	<b>2,401</b>
• Army	1,012	1,127	43	43	228	376	0	2	1,284	1,548
• Internal Security Forces 1/	405	493	20	21	127	142	0	0	552	657
• General Security Forces 2/	78	92	3	3	22	23	1	1	104	119
• State Security Forces 3/	28	60	2	3	7	14	0	0	37	78
<b>Education Personnel</b>	<b>632</b>	<b>799</b>	<b>63</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>695</b>	<b>846</b>
<b>Civilian Personnel 4/, of which:</b>	<b>269</b>	<b>323</b>	<b>57</b>	<b>56</b>	<b>4</b>	<b>7</b>	<b>181</b>	<b>241</b>	<b>511</b>	<b>628</b>
• Employees Cooperative							149	210	149	210
<b>Customs Salaries 5/</b>									<b>32</b>	<b>47</b>
<b>Total</b>	<b>2,423</b>	<b>2,895</b>	<b>187</b>	<b>173</b>	<b>388</b>	<b>562</b>	<b>183</b>	<b>245</b>	<b>3,213</b>	<b>3,922</b>

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

<sup>1</sup>Figures slightly differ from those published in the Public Finance Monthly Monitor report – Nov- 2012 due to the effect of rounding.

<sup>2</sup> Cost of living payments include both the monthly increment for Sep-2012, Oct-2012 and Nov-2012 and part of the retroactive payment for the period Feb-Aug 2012. All payments were made through treasury advance as per decree 8851 dated 7 September 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.

- 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

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

The 16 percent increase in basic salaries of military personnel is primarily attributed to the 2012 cost of living and respective retroactive payment<sup>3</sup> which started to be made in September 2012 and amounted to LL 321 billion during Sep-Nov 2012.

The increase in basic salaries of military personnel was slightly offset by the lower payments relating to a one-off field service indemnity payment, which was made in February 2011 and amounted to LL 52 billion, along with the 1996-1998 retroactive<sup>4</sup> payments which was made in Jan-Nov 2011 for a total amount of LL 117 billion. The same payments reached nil and LL 33 billion respectively in Jan-Nov 2012.

Once the impact of cost of living adjustment and retroactive payments is removed, basic salaries of military personnel display an increase of LL 65 billion (5 percent).

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

in LL Billion	Jan-Nov 2011	Jan-Nov 2012	2012/2011
<b>Basic Salaries (inc. cost of living and all retroactive payments)</b>	<b>1,522</b>	<b>1,773</b>	<b>16%</b>
One-off field service indemnity payment	52	-	-100%
1996-1998 retroactive payments	117	33	-72%
2012 cost of living adjustment	-	321	N/A
<b>Basic Salaries (exc. all retroactive payments)</b>	<b>1,354</b>	<b>1,418</b>	<b>5%</b>

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

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

The 27 percent increase in basic salaries paid to the education personnel in Jan-Nov 2012 is mainly explained by the following:

- The one-off retroactive payment amounting to LL 21 billion<sup>5</sup> and LL 99 billion<sup>6</sup> respectively paid in January 2012 and October 2012 relating to the four exceptional echelons granted<sup>7</sup>

<sup>3</sup> Cost of living payments include both the monthly increment for Sep-2012, Oct-2012 and Nov-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.

<sup>4</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>5</sup> 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.

<sup>6</sup> This payment was made through treasury advance as per decree 8345 dated June 15<sup>th</sup>, 2012.

<sup>7</sup> As per Law 159 dated August 17th, 2011 and Law 223 dated April 4<sup>th</sup> 2012, which granted four exceptional echelons to primary and secondary teachers and to the second, third and fourth 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

to primary and secondary teachers as well as to the second, third and fourth category of the education personnel in the Directorate General of Vocational and Technical Education.

- The cost of living adjustment and respective retroactive payments totaling LL 64 billion and paid in October and November 2012.

Once the impact of the retroactive payment and the cost of living adjustment is removed, basic salaries of education personnel display a decrease of LL 16 billion (3 percent), mainly due to the following:

- A LL 48 billion decrease in payments made to permanent primary, intermediate and secondary personnel at the Directorate General Education, coupled with a LL 3 billion decrease in payments to contractual personnel at the Directorate General of Vocational and Technical education during the period Jan-Nov 2012. The reason behind the decrease is mainly attributed to a discrepancy in the timing of payments.
- This drop was counterbalanced by a LL 16 billion increase in payments to contractual primary, intermediate and secondary personnel, a LL 5 billion increase in payment to permanent personnel at the DGVT and LL 5 billion increase in payments to primary and secondary education trainee.

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

<b>in LL Billion</b>	<b>Jan-Nov 2011</b>	<b>Jan-Nov 2012</b>	<b>2012/2011</b>
<b>Basic Salaries (inc. cost of living and all retroactive payments)</b>	<b>632</b>	<b>799</b>	<b>27%</b>
Exceptional Degrees Retroactive	0	120	N/A
1996-1998 retroactive payments	1	0	-36%
2012 cost of living adjustment	-	64	N/A
<b>Basic Salaries (exc. all retroactive payments)</b>	<b>631</b>	<b>615</b>	<b>-3%</b>

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

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

The 20 percent rise in payments to the civilian personnel is partly due to the LL 16 billion payments of 2005-2009 foreign currency retroactive<sup>8</sup> in 2012 and the LL 31 billion cost of living adjustment, compared to nil in 2011.

From an administrative classification<sup>9</sup> perspective, the most notable increases during this period occurred in the following categories: (1) diplomats in Lebanese overseas missions, (2) diplomats in the Central Administration at the Ministry of Foreign Affairs, and (3) judges<sup>10</sup> category, which rose by LL 8 billion, LL 7 billion and LL 23 billion, respectively.

- The increase 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-Nov 2012 of LL 5 billion that were due in 2010 and the LL 9 billion

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>8</sup> For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report.

<sup>9</sup> An administrative classification arranges public expenditures by recipient ministries and general directorates.

<sup>10</sup> Including religious judges, civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council.

foreign currency retroactive payments which were partially offset by a decrease in the 1996-1998 retroactive payments by LL 4 billion.

- The increase in payments to Lebanese Diplomats who are in residence at the Central Administration of the Ministry of Foreign Affairs in Beirut is due to the LL 7 billion payment in April 2012 of the foreign currency retroactive<sup>11</sup>.
- The rise of payment to all judges from LL 39 billion to LL 61 billion between Jan-Nov 2011 and Jan-Nov 2012 is mainly the result of the new salary and wage scale law<sup>12</sup> providing both civilian and religious judges with higher salaries.

It is worth noting that some of the 2012 basic salary payments to the civilian personnel were made through treasury advances<sup>13</sup>.

#### IV. Payments of Allowances

Allowances increased by LL 174 billion, from LL 388 billion in Jan-Nov 2011 to LL 562 billion in the comparable period of 2012, mainly as a result of higher payments to the Army (+LL 147 billion, which in its turn increased chiefly due to a LL 77 billion and LL 66 billion rise in school allowances and hospitalization expenses respectively), the Internal Security Forces (+LL 15 billion) and the State Security Forces (+LL 7 billion).

Behind the increase stands higher payments to education allowances (+LL 99 billion of which 78 percent are allocated to the Army), hospitalization allowances (+LL 69 billion of which 95 percent are dedicated to the Army) and maternity and sickness allowances (+LL 2 billion).

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

The item "other"<sup>14</sup>, which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a significant increase of LL 62 billion in Jan-Nov 2012. This is due to a cash management issue and discrepancy in timing of payment, as LL 61 billion<sup>15</sup> out of the LL 210 billion transfer made to Civil Servants Cooperative in Jan-Nov 2012 were from the 2011 Budget Proposal allocation; this compares with a total transfer of LL 149 billion in Jan-Nov 2011.

#### VI. Payments to Customs

Payments to Customs witnessed an increase of LL 15 billion in Jan-Nov 2012 compared to the same period of 2011. This difference is primarily attributed to the payment of cost of living adjustment which amounted to LL 6 billion during the period under review.

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<sup>11</sup> As per the treasury advance provided in Decree 6873 dated 18 November 2011.

<sup>12</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>13</sup> As per the following Decrees: Decree 6622 dated October 19<sup>th</sup>, 2011, Decree 6752 dated October 29<sup>th</sup>, 2011 Decree 6823 dated November 16<sup>th</sup> 2011, Decree 6827 dated November 16<sup>th</sup>, 2011, Decree 6840 dated November 17<sup>th</sup>, 2011, Decree 6873 dated November 18<sup>th</sup>, 2011, Decree 7034 dated December 3<sup>rd</sup>, 2011, Decree 7359 dated January 9<sup>th</sup>, 2012, Decree 8345 dated June 15<sup>th</sup>, 2012, Decree 8851 dated September 7, 2012 and Decree 9079 dated October 9, 2012.

<sup>14</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 Civilian Servant Cooperative.

<sup>15</sup> 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 Civilian Servants' Cooperative to cover their incurred expenses until the end of 2011.