

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, increased by LL 363 billion, from LL 2,682 billion in Jan-Sep 2011 to LL 3,045¹ billion in Jan-Sep 2012.

Out of that component, basic salaries reached LL 2,210 billion in Jan-Sep 2012, a LL 228 billion or 11 percent increase compared to LL 1,982 billion paid in the same period in 2011. This increase is mainly the result of the 2012 cost of living payments² (*Refer to Box I for further details*). In details, during the first three quarters of 2012, cost of living adjustment and various retroactive payments totaled LL 356 billion (out of LL 2,210 billion), much higher than the LL 206 billion (out of LL 1,982 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 1,776 billion in Jan-Sep 2011 compared to LL 1,854 billion in Jan-Sep 2012, an increase of 4 percent, partly due to additional recruitment of internal security agents.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Sep 2011	Jan-Sep 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	1,982	2,210	12%
Retroactive payments	206	98	-52%
2012 cost of living adjustment	-	258	N/A
Basic Salaries (exc. all retroactive payments)	1,776	1,854	4%

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 31 percent for Jan-Sep 2012, down from 33 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 Jan-Sep	2012 Jan-Sep	2011 Jan-Sep	2012 Jan-Sep	2011 Jan-Sep	2012 Jan-Sep	2011 Jan-Sep	2012 Jan-Sep	2011 Jan-Sep	2012 Jan-Sep
Military Personnel	1,279	1,445	55	56	360	454	2	3	1,695	1,958
• Army	851	917	35	35	221	296	0	2	1,108	1,251
• Internal Security Forces 1/	339	398	16	15	114	127	0	0	470	541
• General Security Forces 2/	65	75	2	2	18	17	1	1	86	96
• State Security Forces 3/	23	54	2	3	7	13	0	0	31	71
Education Personnel	474	521	43	36	0	0	0	0	517	557
Civilian Personnel 4/, of which:	229	244	49	45	4	5	160	201	441	494
• Employees Cooperative							135	176	135	176
Customs Salaries 5/									29	36
Total	1,982	2,210	146	137	363	459	162	204	2,682	3,045

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

¹Figures slightly differ from those published in the Public Finance Monthly Monitor report – September 2012 due to the effect of rounding.

²Cost of living payments include both the monthly increment for Sep-2012 and part of the retroactive payment for the period Feb-Aug 2012.

- 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 13 percent increase in basic salaries of military personnel is primarily attributed to cost of living payment³ which was made in September 2012 and both amounted to LL 257 billion (*Refer to Box I for further details*).

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 retroactive⁴ payments which was made in Jan-Sep 2011 for a total amount of LL 117 billion. The same payments reached nil and LL 33 billion respectively in Jan-Sep 2012.

Once the impact of cost of living adjustment and retroactive payments is removed, basic salaries of military personnel display an increase of LL 44 billion (8 percent) that is mainly driven by the enlistment of additional recruits⁵ (estimated at 1,570⁶) within the Internal Security Forces in 2011 that started to impact significantly salaries and wages starting August 2011.

Table 1: Impact of Retroactive Payments on Military Personnel Basic Salaries

in LL Billion	Jan-Sep 2011	Jan-Sep 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	1,279	1,445	13%
One-off field service indemnity payment	52	-	-100%
1996-1998 retroactive payments	117	33	-72%
2012 cost of living adjustment	-	257	N/A
Basic Salaries (exc. all retroactive payments)	1,110	1,155	8%

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

III.B. Basic Salaries of Education Personnel

The 10 percent increase in basic salaries paid to the education personnel in Jan-Sep 2012 is mainly explained by the following:

³ Cost of living payments include both the monthly increment for Sep-2012 and part of the retroactive payment for the period Feb-Aug 2012.

⁴ 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.

⁵ COM decision number 13 dated March 31, 2010

⁶ As per the recruitment office of the Internal Security Force, an updated figure shows 1,570 additional recruits. This figure differs from the previous published number of 2,000 additional recruits released in the Salaries & Wages report of June 2012.

- The one-off retroactive payment amounting to LL 21 billion⁷ paid in January 2012 of the four exceptional echelons granted⁸ to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical Education.
- A LL 51 billion increase in payments made to contractual personnel at the Directorate General of Vocational and Technical education during the period Jan-Sep 2012, compared to nil during the same period of 2011. This increase is mainly attributed to a discrepancy in the timing of payments.
- A LL 16 billion increase in payments to primary, intermediate and secondary contractual increased mainly relating to a 37 percent increase in the number of secondary contractual teachers between the academic year 2010-2011 and 2011-2012.

The above mentioned trends were slightly offset by a 16 percent decrease in payments to primary permanent teachers, chiefly due to a discrepancy in the timing of payments.

III.C. Basic Salaries of Civilian Personnel

The 6 percent rise in payments to the civilian personnel is partly due to the LL 16 billion payments of 2005-2009 foreign currency retroactive⁹ in 2012 and the LL 1 billion cost of living adjustment, compared to nil in 2011.

From an administrative classification¹⁰ 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) judges¹¹ category, which rose by LL 13 billion, LL 7 billion and LL 17 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-Sep 2012 of LL 5 billion that were due in the second half of 2010 and the LL 9 billion 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 retroactive¹².
- The rise of payment to all judges from LL 32 billion to LL 49 billion between Jan-Sep 2011 and Jan-Sep 2012 is mainly the result of the new salary and wage scale law¹³ providing both civilian and religious judges with higher salaries.

⁷ 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.

⁸ 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.

⁹ For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report.

¹⁰ An administrative classification arranges public expenditures by recipient ministries and general directorates.

¹¹ Including religious judges, civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council.

¹² As per the treasury advance provided in Decree 6873 dated 18 November 2011.

It is worth noting that some of the 2012 basic salary payments to the civilian personnel were made through treasury advances¹⁴.

Box I: Cost of Living Payments and Retroactive Payments

On August 12, 2012, the Ministry of Finance (MoF) sent to the Presidency of Council Ministers a draft law for amending the minimum wage and for providing cost of living to public sector employees.

According to the draft law, the increase in public sector's salaries is twofold: (a) a raise for cost of living and (b) another raise relating to the new salary scale.

The ***cost of living*** component was approved and became effective starting February 1, 2012. Payments under this component started to be made in September 2012, in accordance with a treasury advance in the amount of LL 750 billion, as per decree 8851 dated September 7, 2012. Retroactive payments for the period February-August 2012 started to be made in September 2012 and planned to be fully settled by December 2012. As such, starting January 1, 2013, the cost of living increment will be embedded in employees' salaries. The monthly cost of this increase was estimated by the Directorate of Payment Orders at MoF to be LL 61 billion.

The ***new salary scale*** component is still under discussion at the Council of Ministers. If approved, the monthly cost is estimated at LL 64 billion, as per the Directorate of Payment Orders at MoF.

The parties benefiting from the draft Law include the following: (a) Public administrations, municipalities, and union of municipalities personnel; (b) Civilian personnel, excluding judges and education personnel in the Lebanese University; (c) Diplomats working overseas and in the Central Administration; (d) Primary, intermediate, and secondary education personnel; (e) Military personnel; (f) Public authorities personnel; (g) Contractual personnel in public administrations and the Ministry of Education; (h) Regie Libanaise des Tabacs personnel; and (i) Retirees.

It should be noted that employees belonging to the Public Institutions, General Directorate of Telecom, and Customs are covered by the new Law. However their cost are not reflected in the estimation mentioned earlier, as the number of employees benefiting from the new Law was not available to the Directorate of Payment Orders when the Law was drafted.

Judges and education personnel at the Lebanese University were excluded from this draft Law as a number of exceptional laws were issued allowing these two categories to benefit from an increase in their salaries, namely Law 173 dated August 29, 2011 for judges, and Law 206 dated march 5, 2012 for Lebanese University professors.

¹³ 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.

¹⁴ 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, Decree 7359 dated January 9th, 2012 and Decree 8345 dated June 15th, 2012.

IV. Payments of Allowances

Allowances increased by LL 96 billion, from LL 363 billion in Jan-Sep 2011 to LL 459 billion in the comparable period of 2012, mainly as a result of higher payments to the Army (+LL 75 billion), the Internal Security Forces increased (+LL 13 billion) and the State Security Forces declined (+LL 7 billion). Behind the increase stands higher payments to education allowances (+LL 65 billion), hospitalization allowances (+LL 27 billion) and maternity and sickness allowances (+LL 3 billion).

V. Payments to the Civilian Servants' Cooperative

The item "other"¹⁵, which is mainly composed of payments to the Civilian Servants' Cooperative, witnessed a significant increase of LL 42 billion in Jan-Sep 2012. This is due to a cash management issue and discrepancy in timing of payment, as LL 61 billion¹⁶ out of the LL 176 billion transfer made to Civilian Servants Cooperative in Jan-Sep 2012 were from the 2011 Budget Proposal allocation; this compares with a total transfer of LL 135 billion in Jan-Sep 2011.

¹⁵ The category entitled "Other" mainly includes State contributions to the Civilian 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.

¹⁶ 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.