

# U4 Expert Answer



## Low salaries, the culture of per diems and corruption

### Query:

*How can you fight corruption in country where salaries of public officials are insufficient and irregularly paid? Often public service employees are topping up their salaries through attending capacity building workshops and obtaining per diems. How can development cooperation prevent such adverse effects? Do you have examples of good practices and lessons learned, especially in sub Sahara Africa?*

### Purpose:

Our agency's network on Governance in Sub Sahara Africa established a working group on Anti-corruption addressing special questions and challenges in the field.

### Content:

**Part 1: Low Salaries and Corruption**

**Part 2: Salary Supplementation Practices and Corruption**

**Part 3: Policy implications**

**Part 4: Further Reading**

### Summary:

There is a broad consensus that low government wages in developing countries result in a decline of public sector efficiency and productivity and create both incentives and opportunities for corruption and misuse of public resources. However, most studies also agree

that increasing salaries without establishing effective control and monitoring systems as well as enforcement of appropriate sanctions is unlikely to have an impact on corruption.

Underpaid staff develops a wide range of coping strategies to top up incomes, such as teaching, consulting for development agencies, or moonlighting in the private sector. One of the most frequent and effective strategies consists of concentrating on activities that benefit from donor funded per diems and allowances. In addition to great potential for abuse, such practices have a number of undesirable side effects such as distorting the incentive structure of public servants, encouraging specific forms of corruption and patronage, creating situations favorable to conflicts of interest, competition for time and brain drain.

Greater transparency and accountability are needed to address the perverse effects of such practices. Although the debate on these issues is still at an early stage, three major policy directions emerge from the

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literature, including the need to reform the public sector incentives' structure, harmonise donors' systems of allowances and establish more effective control mechanisms.

### Part 1: Low Salaries and Corruption

There is a growing consensus that low government wages combined with weak monitoring systems are breeding grounds for corruption and misuse of public resources. In the past two decades, public service wages have been declining at rapid pace in many developing countries as a consequence of fiscal adjustment policies in stabilisation programmes. Evidence further indicates a common trend of growing wage differentials between the public and the private sector over substantial periods of time.

According to the [World Bank](#) for example, the average real value of public sector wages in Zambia in 1991 was less than one quarter of their value in 1975. [Another report](#) notes that in Mozambique the salaries of front line civil servants such as nurses and teachers in the mid 1990s were one third of what they used to be at the beginning of the 1990s, partly due to the dramatic cuts imposed on government spending by IMF policies. Similar trends of both salary erosion and salary compression have also affected other regions such as Latin America, Eastern European countries or the former republics of the Soviet Union.

As underpaid civil servants are forced to develop individual coping strategies to compensate for their declining purchasing power, it is generally agreed that low wages provides incentives for corruption. For example, a [2007 experimental analysis of the cause of corruption](#) looking at variables such as the ease of hiding corrupt gains, officials' wages and selection methods for law enforcement officers suggests that increasing government wages and increasing the difficulty to hide corrupt gains are both likely to reduce corruption.

### Salary Levels and Prevalence of Corruption

However, a number of other empirical studies have also challenged this assumption and evidence remains largely inconclusive on the magnitude of the impact that government wage policies may have on corruption.

For example, a often cited study by [Rauch and Evan in 2000](#) looking at wage measures of higher officials compared to those of private sector managers with similar training and responsibilities for 35 developing countries reports insignificant effects of wages on corruption, as measured by perceptions of corruption in government data from the International Country Risk Guide.

A further study [Van Rijckeghem and Weder](#) based on pay data for 28 countries suggests that while the empirical evidence points to a negative relationship between corruption and wages *across* developing countries, relative pay does not seem to have significant effect on corruption in "*within country*" regressions, suggesting that pay may not have a contemporaneous effect on corruption and that changes in salary scales may not be systematically associated with changes in corruption.

A [more recent 2009 study](#) looked at incentives of state actors in charge of implementing policies – as opposed to those of actors taking policy decisions – and analysed an original data set from a survey answered by 520 experts from 52 countries. The findings suggest that, while bureaucratic factors such as meritocratic recruitment tend to reduce corruption, other allegedly relevant features such as public employees' competitive salaries, career stability or internal promotions do not appear to have a significant impact.

Other studies looking at pay levels in relations to per capita income find contradictory results in terms of their correlation to corruption levels. A study by Swamy et al finds no significant relation between pay and corruption, while a study by La Porta et al even suggests more severe corruption where the pay is higher. ([The World Bank's thematic page on ineffective monetary incentives](#)). Some other studies, not only challenge the effectiveness of increasing wages as an anti-corruption measure, but also conclude that anti-corruption policies designed to increase wages and net income of potentially corrupt agents may be both ineffective and encourage corruption. ([Wages and other determinants of corruption](#))

However, empirical evidence may be inconclusive on the link between wages and corruption because of methodological challenges involved in cross country analysis of pay and corruption. There are general measurement problems and limitations in both

corruption and pay data, as well as challenges in identifying appropriate benchmarks for comparisons.

In addition, should a link between wages and corruption be empirically confirmed, the direction of causality may remain unclear. Corruption may lead to lower pay rather than the reverse, by reducing the public resources available to compensate public officials. As inefficient public services creates more opportunities for rent seeking and bribe extortion and corruption, some even argue that higher pay may worsen corruption under certain circumstances, by crowding out other funding necessary for the provision of quality services, undermining the efficiency and productivity of public service delivery. ([World Bank analysis of monetary incentives](#)).

### Low Wages, Public Servant Patterns of Incentives and Corruption

A further argument found in the literature relates to the capacity of the civil service to attract and retain the most honest, skilled and motivated staff in the face of long term decline of average real public sector wages. The parallel development of the private sector in many developing countries that offer better pay incentives and career opportunities can result in draining highly qualified government officers away from government. Pay offered by international organisations may also affect the incentives of public sector officials and contribute to the brain drain of the most competent civil servants. Similarly, low wages in the public sector are likely to attract less qualified, poorly motivated and potentially disloyal staff, resulting in an opaque, inefficient and potentially corrupt civil service.

A [paper looking at the link between wage cuts and budget deficits](#) confirms that in many countries where there is evidence of important salary differentials between the private and public sectors, wage reductions have coincide with a decline in the efficiency of the public sector and the quality of public output. In addition, underpaid staff is more likely to spend a considerable amount of office time on rent seeking activities, further reducing the overall public service productivity. The combination of these factors is creating working conditions that are conducive to various forms of bureaucratic corruption and misappropriation of public resources.

However, according to the World Bank, while brain drain of skilled and experienced civil servants to the

private sector has occurred to a certain extent, many civil servants have preferred to stay in the public sector, especially in countries with high unemployment rates, because of other in-kind, monetary or more intangible incentives such as health insurance, housing, job security, social privileges, prestige of the position, trips abroad, training opportunities, etc. It is therefore important to consider the full range of incentives embedded within a specific pay system to assess its adequacy and potential to deter corruption.

Similarly, studies looking at other forms of misuse of public resources such as absenteeism in health and education sectors also challenge the importance of higher pay as an incentive to reduce absenteeism among public servants, arguing that other factors also play an important role in deterring corruption. Factors that seemed more important determinants of absenteeism included more frequent inspections; improved working environment and conditions and measures to increase accessibility such as nearby housing or good transportation. ([U4 Thematic page on the education and health sectors](#))

### Level of salaries and the costs of corruption

#### *Low wages and the moral costs of corruption*

Another argument found in the literature is that there is a greater public tolerance for corrupt practices when civil servants' incomes are insufficient for living and their relative level are low or perceived as unfair in comparison to private sector salaries. Informal payments are perceived as a subsistence strategy that compensate for inequitable working conditions and economic hardships make it less reprehensible to demand or accept bribes for poorly paid staff as a survival coping strategy.

#### *Higher Wages and the risk of corruption*

Theoretically, higher salaries make corruption potentially more costly, as corrupt behaviors increase the risks of losing a highly rewarding job instead of a low paying one. In other words, highly paid officials have in principle less incentive to indulge in corruption and have more to lose if they are caught.

However, there is a growing consensus that this argument does not directly predict the impact of increasing salary rates on reducing corruption, as other variables are important to consider, such as risks of detection, severity of sanctions and level of enforcement. In countries with weak monitoring systems, risks of detection and punishment are minimal. Under such circumstances, the prospect of losing a highly paid job is unlikely to have a deterrent impact on corruption.

An often cited study on [the role of wages and auditing during a corruption crackdown in Buenos Aires](#) comes to a similar conclusion. Looking at the effect of bureaucratic wages on corruption and procurement efficiency, the study concludes that there is a negative and well defined effect of wages on both corruption and procurement efficiency when there is a positive perceived probability of detection and punishment, suggesting that audit intensity is crucial for the effectiveness of anti-corruption wage policies.

## Part 2: Salary Supplementation Practices and Corruption

### Salary Supplementation Practices

#### *Individual Coping Strategies*

In a generalised context of under resourced public services across developing countries, many civil servants resort to individual coping strategies to top up their salary and bring their income closer to their expectations. A [2002 paper looking at individual top up strategies of health personnel](#) reports that in some studies, such strategies more than doubled the median income of health managers, increasing it from 20% to 42 % of that of an individual in full time private practice.

Top up strategies include demanding bribes or informal payments for services that are supposed to be free of charge or misusing public resources for private gains. But not all coping strategies are predatory in nature. Some public officials may turn to teaching, consulting for development agencies or "moonlighting" in private practices, while other prefer to concentrate their activities on interventions – especially capacity building projects - that benefit from donor funded per diems and allowances.

A [paper published in 2003](#) explored individual coping strategies of doctors in sub-Saharan Africa, providing some indications of their effectiveness, based on interviews of 21 doctors working in the public health sector. The respondents reported about 28 different types of individual strategies, mostly - but not always – related to their professional field. Some reported taking a second job within the public sector, volunteering for example for extra ward, casualty or health centre duties, a practice which is in some countries legally encouraged. Allowances and per diems seem to top up all other extra income activities regarding frequency and effectiveness. One physician reported for example earning a month salary by teaching at a 4 days workshop for a foreign agency. Other practices included secondary jobs, private practice or gifts from patients, etc. None of the interviewees admitted misappropriating public funds or abusing their powers for private gain.

#### ***Practices of Governments and Development Partners***

Per diems and daily allowance provided by development partners constitute one of the most popular coping strategies for compensating for low public sector wages in the developing world. Per Diems refer to daily payments made by organisations to cover their employees' accommodation, travel, food and other expenses incurred by work related activities. It is a common practice in donor funded projects to pay local officials generous per diems in the form of "daily subsistence", "out-of station" or "sitting" allowances, for attending meetings, workshops and conferences. Often based on government regulation, the daily rates may vary according to the position of the participant and the location of the event.

Such system of allowance can be extremely costly for governments of developing countries. Figures from Tanzania indicate that the amount budgeted for allowances for the fiscal year 2008/2009 reached USD 390 million. In 2009/2010, the amount allocated for allowances was equal to 59% of the total wage bill. While allowances and per diems are in many cases justified practices, when they are loosely connected to the costs incurred and are relatively high in relation to basic salary scales, they tend to become an incentive rather than a reimbursement practice. In Tanzania for example, a middle level officer attending a three day workshop outside Dar es Salam gets about a third of monthly salary. ([Reforming Allowances: a win-win](#))

approach to improved service delivery, higher salaries for civil servants and saving money).

In some cases, international organisations and development agencies use attractive international daily rates, sometimes bidding one another with higher rates, to bring key public officials to their events and get them committed to specific development priorities. Such practices fuel a parallel system that is most likely to distort the local market rates and escalate the “per diem race” within governments. Examples of donors and international organisations’ practices can be found in the United Nations common system of salaries, allowances and benefits or DANIDA’s report on rationalising donor salary supplementation practices in the context of pay and employment reform.

For example, a study conducted in 2004 to document existing capacity building practices of donors in Cambodia for 2002 estimated that close to 6 % of capacity building expenditures in 2002 were allocated to providing monetary incentives in the form of salary supplements, payments for special tasks, per diems, attendance allowances and other unspecified form of benefits. In Cambodia, over 20.000 people received some form of monetary incentives in 2002. This practice is acknowledged in the report as a necessary condition for successful implementation of capacity building interventions. Donors consider that they need to pay some form of monetary incentives to get the commitment of counterpart personnel in collaborating institutions to their project.

## Impact of the Use and Abuse of Per Diems and Allowances

### **Potential Benefits**

These practices can be seen as both necessary and justified, as they fulfil important functions for public institutions and international development agencies. First, underpaid civil servants can not be reasonably expected to finance work related expenses out of their own pockets, and covering their travel, food and accommodation costs is part of any fair compensation system that empower them to fulfil the requirements of their job. It is also justified to provide incentives to public servants staying in remote areas or reimburse real expenses incurred by work related transfers or travels.

With regard to donor funded capacity building interventions, civil servants are also more likely to attend optional training activities and seminars and develop their skills and expertise, if the travelling and living costs incurred are adequately reimbursed.

For underpaid qualified staff, consulting with international organisations bring in considerable amount of income, often out of proportion to official public service salaries, and offers unique career development opportunities and perspectives, which can provide further incentives to stay in the public service.

As a result, such practices may have a positive impact on under resourced public services in developing countries, by mobilising additional resources to retain qualified staff and support the realisation of their professional goals. But there is also a need to recognise both the dimension of the phenomenon and the potential side effects of such practices on the public sector’s workforce of most developing countries.

### **Undesirable side effects**

#### **Potential for Abuses**

Such practices also provide many opportunities for fraud and abuse. Entire workshops can be faked, attendance lists can be falsified, fake receipts can be submitted, records can be falsified to inflate the volume of entitlements, allowances and per diems can be paid at a rate below what is reported and budgeted, etc.

A PriceWaterCoopers audit into alleged mismanagement of the Global Fund project in Uganda – of which the Aids Control Program (ACP) was one of the biggest beneficiaries of the funds - revealed the potential for abuse of donors’ per diem and allowance regime. The audit report notes how per diem regime had been easily misused, with allowances not paid in accordance to the Government of Uganda (GoU) standing instructions and often paid at higher rates than the laid down rates. For example, per diems were paid to staff that were not spending a night away from their duty station or to attendants who were accommodated and had all meals paid. Allowances not defined by GoU’s instructions were paid in the form of professional fees, facilitation and honorarium at rates that were not in line with government’s instructions.

### Selection of the beneficiaries of the international agencies' allowances regime

The generous donors' per diem and allowance regime makes donor funded projects very attractive for civil servants. For example, besides making meetings unnecessarily expensive, the practice of "sitting allowances" creates powerful incentives for higher ranking officials to hijack participation in training events at the expenses of lower level civil servants who would benefit more from the interventions and miss important opportunities to develop their skills and improve their performance. In some cases, high level officials do not even attend the full training sessions, claim their per diem, travel reimbursement or sitting allowance and move to the next event.

([http://www.ft.com/cms/s/0/832f89ea-7c4f-11de-a7bf-00144feabdc0.html?nclick\\_check=1](http://www.ft.com/cms/s/0/832f89ea-7c4f-11de-a7bf-00144feabdc0.html?nclick_check=1)).

The [Southern Institute of International Affairs](#) also notes how attending workshops and conferences is not only a lucrative activity but can also open new career perspectives such as working for international agencies and embassies, or securing a job or a training opportunity in western countries, making, in extreme cases, activism a "rational economic and lifestyle choice".

This combination of monetary and non monetary incentives makes postings to donor funded projects very coveted, considered as potentially lucrative and status enhancing, as personnel working on these projects usually benefit from supplemented pay scales and better working conditions in terms of equipment, transportation, supplies, opportunities to attend conferences and seminars, etc. This provides further opportunities for corruption in the appointment and promotion processes as well as in the selection of the beneficiaries of capacity building interventions.

### Risks of system's capture and patronage

Lucrative systems of allowance also create opportunities for higher level officials to capture the system for their own interests or for purpose of patronage. A [2003 study of family planning programs in Southeastern Nigeria](#) describes how donor funded projects can be manipulated by local officials as an instrument of patronage, reinforcing strong and reliable existing kinship networks. The study notes that working on such projects creates many opportunities to reinforce patron-client relationships. First politics and personal ties play an important role in

the appointment and promotion processes to internationally funded projects – that are commonly referred to in the country as "dollar projects". Then, officers appointed to these positions are expected to "reward" their patrons, who take for granted that some of the resources will be channeled back to them. The study reports typical practices such as kickback from consultants, fake receipts, the payment of allowances to project participants in amounts below what is reported and budgeted, etc.

The study further looks at dubious practices associated with the workshops and seminars organised within the framework of internationally funded projects. The selection of participants, trainers and guest speakers is often biased and offer opportunities to repay the benefactors who installed the project officers in these lucrative positions. The report also notes that, in addition to reward their patrons, workshops provide the project officers organising the events with opportunities for patronage, enabling them to build and cultivate their own network of clients, by selecting participants, trainers or businesses for hotel accommodation, catering services, the provision of workshop materials, etc.

### Competition for time and brain drain

Such donor funded salary supplementation practices have further negative side effects on developing countries' public workforce, as donors and international NGOs end up – and sometimes compete for – recruiting the most skilled and qualified public servants and key technicians at high consultancy rates to work for them instead of government, contributing to the brain drain from the public sector. For example, [the study of Donors' capacity building practices in Cambodia](#) confirms that donor funded programs are significant employers of qualified and experienced national personnel, with generally long term employment relationships. The report further notes that these projects attract the most competent people, particularly if they can get leave of absence from a civil service position and maintain their security of employment.

Another obvious side effect of development partners system of monetary incentives of per diems and allowances is the competition for time. A [2004 case study of Mozambique](#) suggests that such system unintentionally encourages qualified public servants to steal time from their official duties and do outside work for international agencies instead of doing what they

are paid to be doing for government, creating a climate of donor approved misuse of public sector human resources. This results in public servants being often only nominally available to fulfill their duties. Managers attend donor funded seminars instead of running their own departments. Moonlighting in training sessions or seminars for the per diem affect their availability for the requirements of their job, ultimately resulting in a flow of resource out of the public sector and high cost per unit output.

(<http://www.who.int/bulletin/archives/80%287%29581.pdf>)

### Conflict of interest

Public officials taking additional responsibilities outside their official duties to improve their living conditions also face additional risks of being exposed to situations of conflict of interest, whether they run private practices or consult for international organisations. The institutional interests and policies of development agencies may not always be congruent with the national public sector's policies and priorities, which may interfere with their work as civil servants.

### Distortion of incentives and project priorities

At the program design stage, policies and procedures can be influenced by the prospect of maximizing access to per diems and allowances. The decision making process can be biased towards the proliferation of committee meetings rather than by officials in charge, delaying decision making and increasing the bureaucratization of policy making. In terms of program design, generous allowance regimes create powerful incentives to prioritise capacity building interventions that are not necessarily the most effective or relevant manner to contribute to the project output and encourage a culture of meeting to the detriment of more action-oriented outcome.

The above mentioned Cambodian study reports that training represented the second largest expenditure – after international personnel employed to support the implementation of programs. 90 % of the projects reported some kind of training activities, most of which – both in country and abroad – being short term courses seminars and workshops covering a wide range of subjects. The report questioned whether such kind of training is the best way to upgrade civil servants' skills and create a sustained knowledge base.

At the implementation level, civil servants project may become more interested in attending or securing the next capacity building event than in providing effective public services. Project officers may decide to organise training sessions and meetings in distant locations, to allow all attendees to receive per diems and travel allowances. While some argue that off-site meetings can improve the outcome of the sessions by allowing participants to be more focused, there is little evidence to suggest that residential training are less effective. In Tanzania where allowances are relatively high, there is anecdotal evidence of excessive travel and unnecessary trips away from duty stations. For example, the Tanzania's delegation to the annual meeting of the IMF and the World Bank counted 25 officials, whereas other East African countries sent delegations of 5 to 7 people.

(<http://www.jamiiforums.com/jukwaa-la-siasa/44504-ikulus-sh148bn-allowance-gravy.html>)

### Part 3: Policy Implications

Three major policy directions emerge from the literature, including reforming the public sector system of incentives, harmonising donor practices in this regard and establishing more effective control mechanisms.

#### Reforming the public sector's system of incentives

As a result on the inconclusive empirical evidence on the link between wages and corruption, raising public sector salaries is commonly perceived as a necessary but not sufficient condition to reduce corruption.

#### *Rationalising the pay system of the public sector*

A [U4 Brief drawing lessons on wages and corruption from public hospitals](#) notes that wages are not the only determinant of corruption and other factors need to be taken into account, including the expected gain from corruption, the risk of losing the job, the probability of being detected, and the magnitude of the penalty if being caught. The paper concludes that the absence of effective monitoring undercuts any potential effect that wages would have on corruption and suggests that higher wages anti-corruption policies need to be accompanied by regular auditing, appropriate sanctions and effective prosecution measures.

Other issues to consider at policy level relates to determining the optimal scale of salary rises and how to finance them. Budget constraints in most developing countries do not allow raising salaries to competitive levels with the private sector or international organisations and it is unlikely that salary measures can be implemented through domestic budget resources only. An [IMF working paper](#) established, in 1997, that quasi-eradication of corruption would require a relative wage of 3 to 7 times the manufacturing wages and it is generally estimated that in low income countries, salaries would have to be multiplied by at least a factor of five to bring them closer to the private sector. The [U4 Thematic pages on the education and health sectors](#) also notes that, even at very low wages, salary costs crowd out all other inputs, with many countries allocating more than 90 % of their education budget to salaries, with no clear impact on education outcomes.

While it is not a realistic option for under resourced and overstuffed civil services to close the salary gap between the private and public sectors, there is a need to revisit the public sector's incentive systems in many developing countries to retain the right staff at the right positions. Financial incentives are one dimension of the issue, as subsistence levels need to be guaranteed as a necessary condition to retain qualified staff whose contribution is essential to development. But incentives other than of financial nature can also be introduced, as other more intangible factors may also play an important role in making the public sector attractive to qualified staff, such as social responsibility, the prestige of the position, professional satisfaction, professional development and career opportunities, access to adequate working conditions, equipment, technologies, etc. Some papers also suggest introducing systems of incentives that are coherent with the organisation social goals such as financial compensation for working in deprived or remote areas for example.

### ***Reforming the regime of allowances***

Governments also need to address the current regime of allowances to ensure that they do not provide the wrong incentives, inducing and rewarding practices and behaviour that are not always oriented towards the provision of better quality services. The [Tanzania Policy Forum](#) argues that practicing an allowance regime that fulfills an incentive rather than a

reimbursement function is unaffordable, displaces other priority expenditures and undermines quality and cost effective service provision. It concludes that in the case of Tanzania, if allowances could be reduced to 30 % (instead of the current 59%) of the wage bill, billions could be saved and channeled into higher salaries for civil servants, while lower allowances would be likely to improve incentives for service delivery rather than attending workshops, meetings and seminars.

### ***Dealing with staff coping strategies***

Prohibiting underpaid staff from complementing their income does not seem to be a realistic option either in a context of blatantly insufficient salary scales. But introducing more transparency into these practices may help limit risks of conflict of interest or competition for time.

Some countries such as Tanzania have addressed the issue by allowing doctors to open private clinics and engage in private medical practices after their official hours. However, such policy can also backfire as it may provide staff with incentives to provide more and better quality services outside of the public units. In Cambodia, this option was rejected but policies were introduced to charge official users fees and use development bank loan funds to provide additional performance based staff financial incentives instead of fixed salaries. Other countries like Uganda have reformed their pay policies within the framework of the public sector reform, leading to rationalising pay structures, monetising allowances and increasing pay level by around 100%. ([U4 Thematic pages on education and health sectors](#)).

Ways to address the value system of public officials by building both peers and users pressure for good public service delivery could also be explored further. ([When Staff is underpaid: dealing with individual coping strategies of health personnel.](#))

### **Effective Monitoring and Control Mechanisms**

Raising salaries, revisiting the incentive system and rationalising the per diem regime in a context of weak monitoring are unlikely to bring any positive change if impunity undermines the system of reward and penalties in place. In addition to providing a rational system of incentives that truly support development priorities, effective monitoring and control mechanisms

need to be established to limit opportunities for fraud and abuse of the monetary incentive regime.

The [Tanzanian Policy brief on reforming allowances](#) suggests that the pursuit of allowances can also provide incentives not to improve ill-functioning systems as the inability of ineffective monitoring and evaluation systems to produce reliable information create additional opportunities for lucrative capacity building events, field trips, meetings and workshops.

### Harmonisation of Donor practices

The discussion on international agencies' per diem and allowance regimes is still at an early stage of open debate and there are not many examples of good practices in the literature.

Generally speaking, the issue seems less whether or not to provide monetary incentives to underpaid staff than how to do it in the most transparent and accountable manner to limit the potential for abuse. In this regard, coordination and harmonisation of donor practices in terms of training, employment of national staff and per diem regimes are key elements of any strategy to address brain drain, competition for time and abuse of donor funded's monetary incentives regime.

### Training and employment opportunities

While there are often no formal policies in place, some donors have started to address issues of brain drain in the conditions their associate with the training or employment opportunities they provide.

The World Bank for example increasingly ties training opportunities offered abroad to a certain number of years of service in the country or ask beneficiaries to reimburse the costs of training.

To limit brain drain, NORAD, GTZ or WHO implement human resource recruitment policies of task specific and short term consultancies with a commitment of national institutions to retain such staff. As jobs in international agencies are likely to be all the more attractive if civil servants can get leave of absence from a civil service position and maintain their security of employment, others recommend to require civil servants to resign from their civil service position to

take another job with the view to creating a level playing field.

### Per Diem regime

Harmonising government and donors monetary incentives regimes is also a prerequisite to "de-escalate" the per diem race and the generalised practice of bidding up allowances to get the commitment of key decision makers to specific development projects and programs.

In terms of per diem regimes for capacity building activities, the Cambodia report provides the most specific recommendations to donors. The report concludes that donors should work with local governments to establish a harmonised, transparent and accountable system for the payment of monetary incentives that include salary supplement. In doing so, consideration should be given to:

- Limiting the payment of per diems to cover actual expenses, which could be dispensed at standardised rates ;
- Discontinuing the payment of fictitious per diems and of attendance allowances at seminars, workshops and training session, to ensure that participants attending such activities are genuinely interested in participating and do not only do so to obtain the monetary incentives
- Developing a standardised scale for the payment of salary supplements and or a monetary incentive under another nomenclature
- Requiring donors to provide the names of the recipient of salary supplements and or monetary incentives to a central register which would be accessible both to government and donors. This would ensure the necessary transparency and make it possible to verify that no recipient received more than one supplement;
- When a policy has been agreed, all development partners should be required to sign and enforce this agreement.

### Part 4: Further Reading

[Reforming Allowances: a win-win approach to improved service delivery, higher salaries for civil servants and saving money \(2009\)](#)

This policy brief on Tanzania provides a good overview of the side effects of the current regime of allowances and suggest a few policy options.

(<http://www.policyforum-tz.org/files/ReformingAllowances.pdf>)

#### **Capacity Building Practices of Cambodia's Development Partners (2004)**

This document presents the results of a survey of donors' capacity building practices in Cambodia and makes a series of policy recommendations targeting the international community.

([http://www.cdc-crdb.gov.kh/cdc/aid\\_management/cambodia-TA-capacity-survey\(2004\).pdf](http://www.cdc-crdb.gov.kh/cdc/aid_management/cambodia-TA-capacity-survey(2004).pdf))

#### **When Staff is underpaid: dealing with individual coping strategies of health personnel (2003)**

This paper provides an overview of the coping strategies of underpaid civil servants and their impact on health delivery, arguing for a proactive approach to address these issues.

([http://www.who.int/bulletin/archives/80\(7\)581.pdf](http://www.who.int/bulletin/archives/80(7)581.pdf))

#### **Patronage, Per Diems and the "Workshop Mentality": the practice of family planning in Southeastern Nigeria (2003)**

This article shows how family planning project in Nigeria was manipulated by local officials as an instrument of patronage and examines the corruption that characterizes donor-funded projects, especially with regard to the phenomenon of training workshops.

(<http://ideas.repec.org/a/eee/wdevel/v31y2003i4p703-715.html>)