

IN PURSUIT OF PER DIEM

Donor and recipient practices of per diem payment

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INTRODUCTION

- Increasing emphasis on capacity-building and training in donors' country programmes drawing attention to per diem practices
- Commissioned report from 2012 with focus on Ethiopia, Tanzania and Malawi
- Additional literature since 2012
- Structure of presentation:
 - Understanding of uses and abuses of per diem payments
 - Effects of per diem systems on development programmes
 - recommendations

RATIONALE OF PER DIEM PAYMENT

- Compensation for extra expenses incurred when travelling away from normal duty station, usually set at standardised rates
- Compensatory only, not extra pay
- Donors find their systems difficult to align with those of recipients countries in terms of Paris Declaration
- Donors tacitly condone per diem misuse
- Evolution of a 'per diem culture'

CONSEQUENCES OF LAX PER DIEM PRACTICE

Five consequences:

- (a) Intended compensation: prudent and efficient use
- (b) Indirect, informal performance reward: per diem perceived as a bonus
- (c) Unintended distortion of incentives: less time in office, excessive travel
- (d) Outright fraud
- (e) A slippery slope from (a) to (d)

CAUSES OF ABUSE

- Manipulation and inadequate control
- Asymmetry of information between principal and agent (superiors do not know what subordinates do)
- Collective action failure (if others benefit, why not me as well)
- Political economy context and culture condone irregularities (evolution of a per diem culture)

TANZANIA

- Per diems part of a larger set of allowances
- Share of allowances in total emoluments typically one-third for higher-echelon civil servants and one-quarter for lower-level staff
- Allowances are tax exempt
- Exaggerated payment of allowances are considered a bonus
- Seminars and workshops organised opportunistically
- Per diem used to buy loyalty from underlings
- Malpractices more prevalent higher up in hierarchy
- Corruption condoned

MALAWI

- Aid-dependent and riddled by endemic corruption
- Distinction between remunerative and performance-enhancing allowances
- In 2010, travel-related allowances accounted for three-quarters of all allowances
- Discretionary nature of authorisation and control encourages informal behaviour that violate formal rules, despite auditing
- Donors harmonised per diem rates among themselves but failed to align with government system

ETHIOPIA

- Per diem rates far below real cost of accommodation and meals
- Consequently, an informal practice has emerged whereby managers inflate the reported number of days on travel to compensate
- Two different per diem systems: one applicable to government-funded projects, and one applicable to donor-funded projects
- The latter is more attractive and this creates distortions
- Results: manipulation of budgets, shopping around for best rates, buying of loyalty, donor monetary aura, forging of receipts

COMPARATIVE PERSPECTIVES

- Same basic per diem structure across countries
- Per diem practices matter much to civil servants
- Significant impact on work environment, staff motivation, and quality of public services
- Ethiopia: per diem rates too meagre for civil servants to benefit much
- Tanzania: generous benefits in comparison to salary levels
- Malawi: 'clean salary' but challenges remain
- Control systems and auditing similar across countries

CHALLENGES AND REMEDIES

- Compliance and enforcement of existing system
- Donor community carries partial responsibility
- Reminder: per diem is compensatory payment only, extra bonus pay should not be given via per diem system
- No differentiation by seniority or salary level
- Balance between trust and control (discretion vs. control)
- System reform not necessary but respect and enforcement of existing rules are key
- Whistle-blower protection needed

RIGOROUS IMPACT EVALUATION

- Seminars, training and workshops are necessary ingredients in capacity- and institution-building
- But: Question whether such activities give value for money
- Rigorous impact evaluation necessary
- Periodic political economy analyses needed as context
- Reflexion by donors on their practices
- Need for further investigation because body of literature is limited

Thank you for your attention