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Salary Supplement Policy Review
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The following brief details the various policies surrounding donor agency salary supplementation (or top-up) to individuals employed in project countries. The goal of this research was to understand the landscape of different agency's policies regarding salary top-ups for government experts and scientists advising on donor projects. However, information on this specific scenario was limited. The brief covers a range of scenarios in which donor agencies may pay salary top-ups to local, in-country individuals and aims to draw out a number of hypothesized advantages and disadvantages associated with the practice of donor salary supplementation.

Salary top-ups, also referred to as research allowances, salary supplements, and administrative allowances, indicate any additional compensation received by civil servants or locally-employed individuals beyond their official salary. Salary top-ups may be used in a number of circumstances either as incentive pay or as compensation for additional workload, in part depending on whether the work requires additional labor hours, displaces hours previously dedicated to other work streams, or is work load neutral. Additional workload may arise either in the number of hours worked or via changes to the nature of the work. Salary top-ups may also be used to supplement local experts advising on donor projects.

Many agencies implement salary top-up programs, but official policies are largely unavailable

Out of 18 agencies searched, our research revealed only three official policies on local in-country advisor compensation—one for USAID, the Global Fund, and the Japan International Cooperation Agency (JICA).^a USAID's policy is as follows: "It is USAID policy that salary supplements should be considered an exception to the general rule that salary and benefits payments beyond the normal salary and benefits payments are the responsibility of the partner country government and reflects its "buy in" to the USAID-funded project. Any direct or indirect salary or benefits supplement funding by USAID requires exceptional justification approved by the cognizant Assistant Administrator" (USAID, 2012). Justification for salary supplementation includes a description of the candidate's exceptional qualifications, their salary history and any special circumstances that may call for USAID salary supplementation. USAID requires that project funding remain tax-free. Additionally, although USAID generally discourages paying government employees, they may directly hire "embedded advisors." These individuals are fully employed under the USAID project, but sit inside key ministries. Compensation procedures for embedded advisors could not be obtained at the time of writing.

The Global Fund employs a very similar policy as USAID (Global Fund, 2012). Salary top-ups are discouraged under Global Fund grants, in particular top-ups that are beyond local country compensation rates and packages. Salary top-ups require that special justification be presented to the Country Coordinating Mechanism for approval. This justification must link the top-up to the grant's objectives and include a statement on sustainability that identifies the source of funding after the Global Fund grant expires.

JICA has a strict policy prohibiting the use of salary top-ups. This policy stems directly from Japan's overall aid philosophy, which focuses heavily on assisting self-help efforts of recipient countries (Maeda, 2007).

^a Agencies searched included: USAID, AusAID, Oxfam, World Bank, UNDP, FAO, GIZ, IFAD, ILRI, CIMMYT, IFPRI, IWMI, DFID, Hewlett Foundation, Ford Foundation, Kirkhouse Trust, JICA, and the Global Fund.

NOTE: The findings and conclusions contained within this material are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

AusAID developed a formal policy for advisor compensation in order to streamline the compensation process and help to ensure value for money. The policy requires that commercially obtained advisors be paid according to the compensation rates, which are benchmarked with other aid agencies and with Australian labor market standards. However, the policy states that it does not apply to locally hired advisers in project countries (AusAID, 2012). The World Bank and African Development Bank have similar policies for consultant compensation, which also do not specifically apply to local hires or advisors.

Conversations during the course of this research suggest that other agencies also provide salary top-ups to individuals involved in their projects; however, no other standardized compensation policies could be found at the time of writing.

Recipients of top-ups range from low-level health workers to high-level government officials

Salary top-ups may be used to promote retention in critical positions, such as in health care. For example, a Global Health Workforce Alliance project by WHO in Malawi used salary top-ups to attract retired health workers back into the workforce and as incentive pay for working in more remote locations (O’Neil et al., 2010; WHO, 2008). Short-term incentive pay has been a popular tool in the health sector as well as to supplement civil servants’ salaries (Davis, n.d.; IFAD, 2011; O’Neil et al., 2010).

Individuals consulted during this research indicated that top-ups may also be used to compensate government experts and scientists for advising roles on donor projects, although concrete evidence on this practice is limited.

Pay rates may be aligned with local salary rates

There is no universal pay rate for salary top-ups. Some agencies, such as USAID, have official policies aligning salary top-up rates with local salary markets, with the aim of limiting local salary distortions. Other agencies may operate on an ad hoc basis without official agency-wide policies. At the project level, pay scales may be set in alignment with local pay rates or may be aligned according to international or agency standards. For example, salaries for locally-recruited staff at the World Bank are set at the 75th percentile of the local job market; it is unclear whether this alignment also pertains to salary top-ups given to project advisers (The World Bank, 2010). The rationale is that setting pay rates according to local rates will limit disproportionate incentives resulting from the payment policy.

Country governments may have policies that limit donor compensation abilities^b

Because of the potential for labor market distortions, project country governments have a vested interest in ensuring the appropriateness and sustainability of top-up policies. For example, the Government of Sierra Leone Aid Policy addresses salary top-ups as a challenge of aid implementation and advocates for increased sensitivity from aid agencies in establishing these practices, considering how sustainable such a program might be and how it can distort local salary markets (Leone, n.d.). In the case of Malawi, the government taxed the salary top-ups, with the revenue circling back into the program budget as the government’s contribution.

Agencies have been hesitant to implement long-term salary top-up programs due to concerns about program sustainability and donor dependency (AusAID, 2011; IFAD, 2011; O’Neil et al., 2010). The Government of Cambodia initiated a Priority Operating Costs policy in 2010 as a way to create consistency among donor top-up programs (Zsombor, 2012; Ifad, 2011).

^b The authors searched for the policy conditions in each of the BMGF Agricultural Development priority countries, however, policies and discussions were found only for Tanzania and Ghana.

Anecdotal Evidence

Paul Gwakisa, PhD, Professor and Dean, School of Life Sciences and Bioengineering, NM-AIST, Tanzania

Based on his experience as a professor and researcher in Tanzania Dr. Paul Gwakisa provided information on the variety of compensation policy designs. Institutions in Tanzania have a variety of methodologies for addressing salary top-ups, and many of them do not have formal published policies. There is no fixed amount or rate for compensation; individual amounts are typically proposed by the researcher and approved by the donor. Usually compensation is based on percent time dedicated to project tasks. Additional compensation may be in the form of per diem allowances or publication costs. These allowances are typically governed by the sponsoring institution’s policies.

He noted that salary top-ups may be appended to existing salaries and, thus, be taxable. Top-ups can also be set up as time-based allowances (i.e. monthly, every three months) and kept as non-taxable income.

Before the official top-up program, government officials received generous per diems and allowances, which heavily distorted the incentives and encouraged staff competition. Additionally, different ministries and different donor agencies were supplementing at different rates. Under the POC policy, donor agencies could supplement salaries for government employees advising on their projects, recognizing that the level of their civil service salaries and the management practices were not enough to ensure government staff commitment to the projects. Direct donor payments were due to expire mid-2012 and be replaced by government payroll adjustments; however, it is unclear whether this transition occurred as scheduled

Anecdotal Evidence

Colin Dexter, Administrator, Projects and Contracts, Kirkhouse Trust

The Kirkhouse Trust pays very few salary supplements; and when they do, rates are not standardized, but are instead flexible to adapt to local conditions. The Trust's most common work involves providing grants to universities and NARS, wherein the Trust's normal policy is not to supplement the salaries of the employees of these institutions. In this case the individual's full salary is provided by the trustee organization. In the rare exception to this standard procedure, the Trust pays or supplements salaries at rates aligned to local levels. The compensation Principal Investigators and students receive while participating in training sponsored by the Trust at a research institution is dictated by the specific policies at the research institution.

The Trust does pay per diems to all participants attending the Trust's annual meetings, as well as for scientists and technicians traveling as part of their Trust-funded projects. The Trust pays per diems to local participants largely because it seems to be a customary practice and local PIs insisted that their employing institutions would not reimburse the costs they incur for Trust activities.

The Trust is aware that some CGIAR centers pay international rates for all of their scientists. The effect of this for the Trust is that their trustees are reluctant to provide grants to these centers or use them for their services because of their very high costs.

The Government of Tanzania has undertaken a series of salary reforms with the aim of phasing out donor agency salary top-ups (Yambesi, n.d.). Donor agencies lacked transparency and clear procedures in their selection of top-up recipients. And these salary incentives were draining capacity from core public services. The Selective Accelerated Salary Enhancement (SASE) scheme was launched in 2001 as a sustainable incentive program for civil servant salaries (Lopes and Theisohn, 2003). The government would phase in the SASE program in to various ministries over the five-year period from 2000-2005. It is unclear what status this policy currently holds and what specific impact it may have on donor agency salary top-ups.

Similarly, the Government of Ghana has attempted to implement a streamlined salary policy that limits the need for salary top-ups (Ghana News Agency, 2011; Sakyi, 2012; Government of Ghana, 2013). The Single Spine Salary Structure was put into place in 2010 under much controversy. The policy was believed to improve the wages of civil servants and provide consistency among posts, but was criticized as a political gimmick that would be difficult to enforce. The extent to which this policy has impacted donor agency procedures in country is unknown.

Cautions to consider regarding salary top-up procedures

Salary top-ups may drain capacity from core public service positions. The World Bank points out that, "Salary top-ups introduce distortions in incentives, and are undesirable especially when they draw scarce knowledge and skills away from where [they] are needed most" (World Bank, 2002). Furthermore, top-up programs may increase competition for certain positions and breed resentment between employees receiving and not receiving salary

supplementation. Salary top-ups for government employees working on donor projects may encourage individuals to dedicate more time to donor projects, rather than to government business (Coppin, 2012). The availability of salary supplementation may lead to distortions in the local labor markets. Individuals may seize the various opportunities for additional compensation, which inflates their salary, especially in relation to the salaries of their colleagues who are not receiving these supplements. Salary top-ups may also breed competition among donor agencies, especially when their policies and procedures show such variation (Maeda, 2007).

Research Methodology

Information presented in this brief was gathered through a search of the available literature and personal interviews. This review was conducted using University of Washington Libraries, World Bank, IFAD, GIZ, AusAID, Oxfam, DFID, UN, FAO, and Google search with combinations of the following search terms: adviser, contract, consultant, salary, supplement,

allowance, top-up, policy, and procurement. Additionally, telephone and email interviews were conducted with four individuals—Paul Gwakisa, Professor and Dean at the Nelson Mandela African Institute for Science and Technology; Colin Dexter, Projects and Contracts Administrator at the Kirkhouse Trust; Michael Timko, Professor at the University of Virginia; and Jessica Cagley, a Presidential Management Fellow at USAID. The authors also attempted to contact Dr. Yona Baguma, a scientist in the National Program in Uganda; Dr Rose Emma Mamaa Entsua-Mensah, the Deputy Director General for Research and Development in Ghana; and Rachael Mwangi, a project accountant at ILRI.

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