Uses and Abuses of Per-diems in Africa: A Political Economy of Travel Allowances

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ABSTRACT

An increasing amount of public spending in Africa is allocated to per-diems as a core instrument of the incentive structure. These are mainly given to provide financial incentives to employees in order to increase their motivation to attend meetings or travel for work missions. Anecdotal as well as systematic evidence from many countries and projects suggests that abuse of per-diems is becoming the rule rather than the exception; which distorts the impact of development efforts. At a time when the efficiency and effectiveness of public spending features high on the political and development agendas, improving the efficiency of the management of per-diems could have a major impact on public finances and on attainment of development goals. Unfortunately this topic has been largely unexplored and little has been written on the subject. This paper examines the political economy of per-diems in the African context. It revisits the conception of per-diems on the continent, scans the extent to which per-diems are used and abused, and proposes a conceptual framework that could help to modeling the mechanism through which the per-diems payment influences motivations and behaviors.

The paper argues that although per-diems are in many cases justified payment, the current practices are moving from being part of the solution to becoming part of the problem. The analysis illustrates how the possibilities of earning per-diems negatively influences projects and programs design, management decisions, and how employees spend their time. All these have a powerful distorting impact on development efforts. We propose a conceptual framework which demonstrates the limits of per-diems as a motivational factor for travel missions and draws implications for economic theory and policy. The framework shows how intrinsic motivation is partially destroyed when large per-diems are paid. As the amount of per-diem increases, the incentive of intrinsically motivated individuals decreases while the incentive of extrinsically motivated ones increases; explaining for example why paying high per-diem rates for a meeting will increase the probability of having inappropriate people attending. Where public spirit prevails (intrinsic motivation), using large per-diems incentives to increase motivation to attend meeting/workshop comes at a higher price than suggested by standard economic theory. That is especially the case as such incentives tend to crowd out the most suitable participants. The paper concludes by warning against generalized use of per-diems as motivational factor, and explores alternatives for a more efficient per-diems system.

Key words: Per Diem, Political economy, Public expenses, travel allowances, Africa

JEL classification: H50; M52; E61; O22
1. Introduction

For most African countries, public finances are heavily constrained by low savings, narrow export earnings and thin tax bases. At a time when donor funds are becoming scarcer and competition for official development assistance is increasing, the improvement of the efficiency and effectiveness of public spending features high on the political and development agendas.

Governments of developing countries in general spend resources equivalent to a range between 15 and 30 percent of GDP\(^3\). Hence small changes in the efficiency with which those resources are used could have a major impact on GDP and on the attainment of development goals. Therefore, one of the key roles of the development community is to help African countries in making strategic decisions about their public expenditures: what should the government spend on, how much to spend, how to finance government spending? Etc.

An increasingly considerable portion of public spending is allotted to allowances and per diems, usually in connection with seminars and workshops. This is especially the case as capacity building is a central concern of development efforts notably in Africa. It has been reported (Chêne M., 2009 ; Søreide et al., 2012) that, in the last decades, there has been a rapid increase in the amount of money which is allocated to these expenses in many African countries with the aim to enhance competence and efficiency in state administrations. While such expenses on per diems might be cost-effective in some settings, the increasingly large amount spent warrants more attention to the question of whether those who spend get “value for money” for these expenses.

Anecdotal as well as systematic evidence from many countries and projects suggest that there are many ‘trickery’ of the system and opportunistic rent-seeking behavior around per diems. A recent study by Ridde (2010) reported that malfunction of the per diem systems (which he called ‘perdiemitis’) is one of the most prevalent illnesses in Africa and is contributing to the expected failure to achieve the MDGs in Africa. Unfortunately this topic has remained unexplored and little has been written on the subject. The serious lack of knowledge regarding the allowance and per diem issues severely hampers any attempt to understand and improve the system. This paper contributes to fill this gap in the literature.

Although the pursuit of benefits derived from allowances is common globally, its gravity may be more pronounced in the context of constrained economies such as those of African countries (Søreide et al., 2012). This paper examines the political economy of per diems in the African context. The paper revisits the conception of per diems on the continent, scans the extent to which per diems are used and abused, and explores the probable consequences and possible solutions to the manipulation of per diem systems. The focus of the paper is on national per diem systems as observed across African countries. Some arguments in the paper might therefore not be relevant for international organizations operating on the continent.

The rest of the paper is organized as follows. Section 2 provides an overview of the theoretical and etymological roots of the concept of per diem. Section 3 examines the importance of per diems in national budgets in Africa. Section 4 discusses the current practices of per diems across Africa. Section 5 describes different aspects of manipulation of per diems and section 6 presents a political economy model of per diems and allowances. Finally, section 7 concludes by exploring alternatives and solutions for a more efficient per diems system.

2. PER DIEMS: Etymology of a concept

The term ‘Per diem’, a Latin term for ‘per day’, is a specific amount of money that an organization gives to individual per day, to cover travel-related expenditures in connection with work done away from home (Vian et al, 2012). This daily allowance eliminates the need for employees to submit expense reports. Instead employers pay employees a standard daily rate without regard to the amount actually spent by the employee, therefore simplifying administration by eliminating the controls needed in a system of reimbursing actual costs.

Per diem payments serve three official functions in national organizations: (i) covering travel-related expenses and (ii) encouraging professional development. Organizations or donors who wish to support professional development sometimes pay per diems to encourage attendance at trainings, workshops, and conferences. People are more likely to attend optional trainings or meetings at which they will learn new professional skills if they are reimbursed for the expenses required to attend these meetings. (iii) In addition, per diems may also be an important means for providing financial incentives to employees to increase job satisfaction. In some countries, employees are poorly paid which translates to low levels of motivation to participate wholeheartedly in efforts to achieve organizational goals. Per diem could then be unofficially used as a salary supplement to help increase the motivation of the employees.

Payment of per diems to officials dates back to the 14th century in countries such as the UK (Søreide et al., 2012). Even though systems vary across countries and organizations, per diem allowances are usually set at a standard rate, payable according to stipulated rules and regulations. Most per diem systems are based on averaging the anticipated cost of travel; the most commonly used being the “UN travel compensation system” which principles and criteria are commonplace4.

In some cases, the policy may separate hotel expense from meals and incidentals, reimbursing daily hotel expense based on actual receipt (up to a set maximum level). In this case, the portion of the allowance meant for meals and incidentals is justified by the number

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4This system is based on annual surveys, it combines the average room costs for suitable hotels (at single occupancy rates) with the average cost of eating three meals per day in the chosen hotels or in typical restaurants, with an additional percentage (15 per cent) for those incidental expenses that a traveller could be expected to incur, such as coffee breaks, local taxis, laundry, etc. The cost of accommodation is usually the largest component of these calculations. As a result, it is common to find that good systems differentiate between locations as room rates, unlike eating costs, depend on a limited number of hotels in an area and their standard.
of days of travel without regard to actual expenditures. Organizational policies generally explain eligibility, calculation of per diems, and procedures for payment.

The theoretical foundation of the per diem system can be linked to one of the fundamental principles governing economics; the law of supply and demand. Per diem in this perspective is an “extrinsic motivational instrument”. Extrinsic motivation involves external rewards, most usually associated by economists with the price system. The central model that underpins this rational economic perspective as it is adopted in consumer law assumes that, in our choices and behavior, we maximize satisfaction subject to resource constraints. Per diem can then be seen as either a constraint lifter (reimbursement of travel expenses) or a satisfaction booster (per diem as salary supplement), therefore increasing the participation. But as we will see later in this text, per diem payment can also be counterproductive by creating sub-optimal behaviors.

3. Regulation systems and spending on Per diems in Africa

Regulation systems and practices of Per diems

Payment of per diems and allowances in African countries was initially set up as a means of motivating participation in long distance meetings or to undertake duties away from home. But in practice per diem allowances are also used for other purposes. Different forms of per diem payments exist within countries, and the rates vary between countries and between projects in the same countries. But basically, in all the countries, there are globally two types of per diem systems: the Government system and the Donor funded projects system. Within each system there are some variations. But generally, rules and regulations governing allowances and travel related per diems have the same basic structure and elements.

In the government systems, the rules regulating per diem payments are generally part of a larger set of allowances offered to civil servants, which generally include (i) allowances linked to specific position (also called remunerative allowances – these range from honoraria and sitting allowances, to housing allowances…), (ii) duty-facilitating allowances (intended to improve performance of work and service delivery - per diems…). In some countries, official per diem rate is differentiated by salary level and higher officials, such as ministers receive particular compensations with regard to travel allowances. Civil servants are also sometimes offered sitting allowances, for attending work-related meetings. This form of compensation is subject to a great deal of debate, especially as it is deemed to be a form of “double pay” for civil servants who already receive regular salaries for doing their ‘normal’ duties, which normally comprise meetings.

Donor funded projects exhibit more variation in terms of per diem and allowance conditions, depending of the donor and the project. Some donors will push for a particular rate of per diem for the projects they fund, while others will leave the decision to the implementers (e.g. government). In most cases, the rates are determined through negotiation between the government and donors on a case by case basis at the time of project appraisal. Consequently, there are considerable differences in per diem systems between projects, even
when the financial sources are the same. Overall, the per diem rate for donor-funded projects is usually more attractive than the government system, but the two are not always mutually exclusive as some officials might manage to receive both per diems for the same meeting or mission. Per diem rates for donor funded projects can be more than twice as much as the government system rate. For example in Mali, daily government per diem is between 4000 and 7500 Cfa-Franc, against 15000 Cfa-franc for donor-funded projects (Bergamaschi et al, 2007).

**Overview of Governments’ spending on per diems in Africa**

Some government institutions are prone to spend more on travel-related allowances than others – in absolute terms as well as in proportion to their budgets – owing to the nature of their mandates. Examples are large ministries with a high volume of transactions, a large staff complement with an extensive geographical coverage; for example, ministries of education, ministries of defense, foreign affairs ministries etc. Institutions with considerable out-of-office activities as part of their work also incur high expenditures on subsistence allowances, examples being the National Audit Offices, and National Statistical Offices etc.

Most per diem payments are related to workshops and meetings usually for capacity building purposes. Since capacity building is a central concern of development efforts, particularly in Africa, a large portion of development aid and government money is spent on seminars and workshops to enhance competency and efficiency in state administrations and civil society organizations. While there can be little doubt that government, NGO and civil society employees attending such workshops upgrade and learn new skills, the effectiveness in terms of costs and benefits of these workshops is an understudied and underreported area.

The difficulty in evaluating the effectiveness of these meetings, particularly the worth of subsistence allowance in general, is mainly due to the difficulty in obtaining data on the costs. In particular, one of the questions for which anyone would like to have an answer is the interrogation on the magnitude and the relative amount that African governments put on per diems and allowances. Owing to the sensitivity of the subject matter, gathering information on this subject is particularly difficult. For some countries, aggregated national data on per diems and allowances do not exist, and only exist at project level. In other countries, the magnitude of the amount spent for per diems is such that governments prefer not to make a lot of noise around it. Some recent reports have attempted to provide aggregated budgetary data and indicators on per diems from two countries; Tanzania and Malawi.

In Tanzania, a policy brief prepared by Policy Forum in 2009, indicated that between 2001/2 and 2006/7 the real amount spent on allowances increased more than three-fold. During the fiscal year 2008/9, the government of Tanzania budgeted USD 390 million for allowances. This amount was equivalent to the annual basic salary for 109000 teachers (over two thirds of all teachers in the country. In 2009/10 the amount allocated to allowances was equal to 59%

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5 In Nigeria for example, donor-funded projects are commonly called “dollar projects” and are highly coveted, partly because per diems are calculated based on international rates.
of the total wage bill (pensionable and non-pensionable basic salaries plus pensions). A recent study commissioned by the Norwegian Agency for Development Cooperation (Soreide et al., 2012) revealed that the government’s total wage bill as a proportion of the 2010/2011 budget stood at almost 32 per cent, or about 10 per cent of GDP. The emolument distribution for 2010/2011 showed that basic wages accounted for 83.3% of total emolument whereas the amount allocated for allowances was 16.2% (consisting of remunerative allowances (6%), duty-facilitating allowance (10.2%), and per diems – part of duty-facilitating allowances – (4%)).

In Malawi, a study funded by DFID Malawi on public expenditure review of travel (Peprah and Mangani, 2010) revealed that travel-related allowances constituted the bulk of allowances, accounting for 76 per cent of all payable allowances in 2010. As a proportion of salaries, the payment of allowances in general accounted for 29 per cent in 2010, while travel-related allowances specifically accounted for 21.9 per cent of salaries. Over the period 2006/2007–2010/2011, the total travel budget (the sum of domestic and foreign travel) was on average 11.4 per cent of the national budget. Of this, domestic travel accounted for 10.3 per cent, while foreign travel stood for 1.14 per cent.

The above few examples, although not representative of all the different African countries, however give important insights into the magnitude of the per diems payments in Africa.

4. Use and abuse of per diems in Africa

Per diems as salary supplements

During the 1990s, the international financial institutions imposed structural adjustment programs on most African countries. One direct consequence has been the sharp decline of public sector wages. Since then, the salary of the public sector civil servant has remained relatively low. 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. As shown by Andvig and Moene (1990), cutting real wages of civil servants has a positive influence on the incidence of corruption, as its increases the magnitude of corruption, particularly in countries with relatively low level of corruption. In the face of such sharp declines in average real wages, a pending issue has always been how can public sector attract and retain the "best and brightest" for their administration, when their wage levels are well below those of the private sector. To deal with this situation, governments have introduced a variety of rewards other than base salaries, such as stimulating travel allowances, pension entitlements, housing, health/education allowances etc. Data on per diem allowances specifically are difficult to get, but country data on allowances in general can give us some indications.

The proportion of allowances to base pay varies widely between countries; but it is not uncommon for them to equal or exceed base pay. An analysis from the World Bank gives us
some insights⁶: in the OECD, the basic wage component averages nearly 90% of the total pay and rewards of civil servants, ranging from being 100% of total in Switzerland and Iceland, 65% to 90% in Finland, to 20% in Greece (OECD, 1997 cited in the World Bank thematic page on rewards and incentives). In Jordan, however, where civil service wages have essentially been frozen since 1988, a variety of allowances (such as hardship, responsibility) amount to 70% or more of the basic salary (World Bank 1999). In Indonesia, allowances (many of them discretionary) can represent up to 92% of pay. In the African context, total allowances as percentage of total salaries ranged from 12 and 107 percent in eight African countries during the 1980s (Table 1). But within the same administration, the allowance systems are sometimes discretionary and vary between organizations, groups of employees, locations, sub-sectors etc.

<table>
<thead>
<tr>
<th>Country</th>
<th>1980</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>N.A.</td>
<td>12</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>13</td>
<td>27</td>
</tr>
<tr>
<td>Gambia</td>
<td>N.A.</td>
<td>16</td>
</tr>
<tr>
<td>Kenya</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>Morocco</td>
<td>54</td>
<td>45</td>
</tr>
<tr>
<td>Sudan</td>
<td>25</td>
<td>29</td>
</tr>
<tr>
<td>Tunisia</td>
<td>33</td>
<td>106</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>30</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Robinson 1990 From World Bank thematic Page on Rewards and incentives

Underpaid staffs have developed 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. Donors feel obligated to provide some form of monetary incentives to get the commitment of counterpart personnel in collaborating institutions to their project. As reported by Chêne, (2009), international organizations and development agencies occasionally use attractive international daily rates, sometimes bidding against 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.

*Manipulations and abuses of per diems systems*

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⁶ The World Bank’s thematic page on Rewards and Incentives. Access 15-November, 2012. We were not able to find more recent data.
While allowances and per diems are in many cases justified practices, when they are roughly connected to the costs incurred, in most African countries, per diem amounts go well beyond the purpose of reimbursing actual work-related expenses and tend to become an incentive rather than a reimbursement practice. Such a system of allowances creates opportunities for abuse and can be extremely costly as the possibility of earning per diems can have a distorting impact on programme design, management decisions, and how employees spend their time. This is at the root of the rent-seeking behavior observed around per diems, tacitly legitimized and stimulated by government and donors alike. Some of the drawbacks and inefficient factors associated with per diems include (Vian, 2009; Peters, 2010; Søreide et al., 2012):

- **Determining work plan and strategy based on per diems maximization**: Meetings which could have been held within office premises are relocated to distant locations in order to ensure that attendees receive per diems for their participation. This is usually justified by the argument that participants will focus more when the meetings are held off site. However evidence suggests that residential training programmes are no more effective than non-residential programmes (Vian, 2009). Smith (2003) observed this phenomenon in Nigeria and referred to it as the “workshop mentality” as many events seem to be organized for the sake of extra payments, not for their contents.

- **Going to the field or a meeting, even if there’s no need**: The desire to gain some money sometimes motivates travels (Ahmadou, 2009). Per diems provide a positive incentive to go to the field, especially if payments are in hard currency. Given the low salaries, travel per diems are sometimes the only way some civil servants can make more money. They will even go to the field when it isn’t necessary.

- **Increasing health risk for staff**: Some meeting participants will even sacrifice meals in order to save per diem money. Staff who receive low salaries will hardly use their per diems on food and will not eat adequately during missions, or will overeat when free lunch is offered in order to compensate for the other meals of the day. This nutritional disturbance carries some risks for the health of the participants.

- **Sending the wrong people for training**: We all know anecdotal story of staff attending meetings in languages they cannot understand for the sole purpose of earning per diems. Per diems create incentives for sending inappropriate delegates. For example whilst a junior staff member might be the ideal person to attend a skill-based training, supervisors may choose to attend the training instead. The person who could have used the training is denied the opportunity to improve her skills, whilst the person who does attend may not contribute to or benefit from the experience because they lack the right pre-requisites.
- **Slowing down government operations:** Per diem is a powerful instrument in drawing senior official away from their jobs. Just as per diems encourage senior managers to attend trainings instead of sending their subordinates, they also encourage high level government officials to attend meetings and conferences rather than fulfilling administrative tasks which would require time at their desks. In the end per diem become a way of paying people not to do their work.

- **Changing norms and decreasing intrinsic motivation:** Another problem with per diems is that beneficiaries start to demand to be paid for any type of training or meetings, regardless of whether or not the employee incurred expenses. Intrinsic motivation falls, and people are increasingly motivated financially. They may feel envious, or unfairly treated, when they see what others are earning in per diems.

- **Favoring certain types of work over others:** Given a choice, many people will apply for assignments for which there are per diems involved, and especially those tasks with the highest per diems. These pressures can result in more human resources being committed to a particular task, even though they could have been more efficiently use in other tasks.

- **Fostering dependence:** As government workers seek more revenue from allowances, they may favour programmes directed by external agencies, which sometimes pay higher rates than government. As a result, civil servants have less incentive to advocate for a fairer compensation package from their own government. Bergamaschi et al, (2007) reported that in Mali, civil servants are against direct budget support, because per diem rate for donor funded projects are more than twice the government rate.

- **Creating pressure and opportunities for fraud:** The enticement of per diems also creates pressure for fraud and kickbacks of per diem revenues. In some cases, people falsify records or receipts in order to gain more per diems. They may claim more days of travel than they actually incurred – as in the case of a government official in Malawi who reportedly collected over 1,000 days of per diem allowances in one year (Vian, 2009), or senior ministry officers in Nigeria who were paid per diems for week-long training workshops they attended for only a few minutes (Smith, 2003). Such stories on per diems scam abound. For instance there are anecdotal examples of a government official who did not even bother to attend the trainings at all, instead sending his driver to collect per diems and sign on his behalf. Other examples are managers who select staff to attend international trainings expect the staff member to share or “kickback” a portion of the per diem. A third example is officials who are entitled to both government and project’s per diems and will collect both payments when invited for a project’s meeting. A fourth example is where attendance lists are falsified and allowances “skimmed”. Participants are asked to sign a statement that they received their allowance, but the amount is not listed on the form when it is being signed. This allows the training organizer to pay the participant less than the official amount. Sometimes whole workshops are faked, when the
workshop never occurred, but the government official tried to charge training expenses to the budget.

- **Influence of policies and procedures:** Policies and procedures of government agencies may be affected by the incentives of per diems. On the one hand, the influence of per diems can result in policies which increase costs without benefits. For example, the National AIDS Committee (NAC) in Cameroon created a policy requiring sub-grantee organizations to invite NAC experts to all trainings and pay them generous honoraria and per diems. This allowed the NAC experts to gain personally from the donor funding they were asked to administer. On the other hand, government decisions meant to curb negative effects of per diems may also have unintended consequences. For example, the government of Lesotho was concerned that officials were abusing travel budgets for private gain. To control these abuses, the government made drastic cuts to budget requests (with the rationale that if you do not have a budget you cannot abuse it). Donors will undoubtedly step in to finance trainings and attendance at meetings, since participating agencies now cannot afford to pay from their own budgets. The result could be less government ownership of priority-setting and human resource development, with little change in the frequency of the abusive practices themselves.

5. **To pay or not to pay: A political economy model of per diem**

**The concept of per diem in economic thinking: a theoretical perspective**

The issue of per diems has not specifically been addressed in the literature. But from an economic theory standpoint, the problematic of per diem can be analyzed in the context of the economy of incentives and its declinations such as the theory of incentives/rewards, the rent-seeking/surplus extraction behaviors, or theory of political patronage in a principal-agent problem framework.

The economy of incentives is at the heart of modern economic thinking. Central to this theory is the simple question of what makes people act in a particular way in an economic or business situation. The starting point of incentive theory corresponds therefore to the principal agent problem of how the owners/managers of firms succeed in aligning the objectives of its various members like workers, supervisors, managers with profit maximization (Laffont, and Martimort, 2001). The principal-agent model depicts a situation where the principal delegates an action or task to an agent who has different objectives than the principal, and might have private information. If the agent has a different objective function but no private information, the principal could propose a contract which perfectly controls the agent and induces the latter's actions to be what he would like to do himself in a world without delegation. If the agent has private information, this can be of two types: either the agent can take an action unobserved by the principal, the case of moral hazard or hidden action; or the agent has some private information about its cost or valuation that is ignored by the principal, the case
of adverse selection or hidden knowledge\textsuperscript{7}. This is the essence of incentive questions. The principal-agent theory studies when this private information is a problem for the principal, and what is the optimal way for the principal to cope with it.

Applying this to the per diems problem, sending staff on mission can be viewed as a delegation of a task to an agent by a principal, who, because of lack of time or lack of any ability to perform the task himself, relies on his agent to do what he would have done. However, economic theory teaches us that economic agents are \textit{homo-economicus}, and pursue at least to some extent their private interests. Individuals are isolated, self-interested, and able to compute the costs and benefits of different actions with the objective of optimizing their utility. The manager (principal) might not necessarily have the same objective with the agent. It is the case of a staff creating a mission or choosing to go on mission in country ‘A’ instead of country ‘B’ just because he has family and friends he wants to visit in country ‘A’. Furthermore, an agent might have information that is not known by the principal. It is the case for example when the agent knows the training he will attend will be delivered in a language he does not understand or undertakes a mission the aim of which is to execute a task that has already been done, but not known by the principal.

Related to this is the rent-seeking theory which describes behavior in institutional settings where individual efforts to maximize value generate social waste rather than social surplus (Krueger, 1974). Agents with private knowledge will manoeuvre to undertake unproductive missions for the sake of maximizing his private profit which might be antagonistic to the profit extracted by the principal.

Equally, the issue of political patronage could explain the selection models used in the choice of candidate for mission and workshop attendance. Patronage politics revolve around the targeting of public resources to political networks or “machines”. Literature on patronage explores factors leading politicians to privilege patronage over the provision of public goods. In the case of per diems and missions, the central emphasis will revolve around the incentives for managers to offer missions and per diems to reward political supporters, co-opt opponents, and thereby advance their political careers.

Furthermore, moral economy dominates politics and economics in Africa, wherein patron-clientism is fueled and sustained by obligations to people of the same kin group or community of origin. The basic reference unit in Africa remains family and kin-based: it is the fundamental “circle of trust” within which individuals operate. Political elites seek to establish principles of mutual aid, of patron–client reciprocity, based on the model of kin and family relations. Chabal and Daloz (1999), and Smith (2003) are prominent in their emphasis on the role of clients in fueling the corruption that characterizes political economies structured around patronclientism. They contend that politics in Africa must be understood as driven by vertical ties of patronage in which power is maintained by redistributing resources accumulated

\footnote{Famous examples are the cases of. The landlord delegates the cultivation of his land to a tenant who will be the only one to observe the exact weather conditions. A client delegates his defense to an advocate who will be the only one to know the difficulty of the case. A stockholder delegates the firm’s day-to-day decisions to a manager who will be the only one to know the business conditions. An insurance company provides insurance to agents who privately know how good a driver they are.}
through “corruption” to clientelistic networks according to rules of reciprocity that have their origin in a kinship-based social organization and morality.

A political economy model of per diem

The issue here is that when no per diem is paid for attending a workshop, there is a risk that the workshop room will be empty. On the other hand, if a large amount of per diem is paid, there is a risk that inappropriate people participate in the workshop, as suitable people will be crowded out, and unsuitable ones will fill the workshop room. This implies that the issue might not be a question of whether or not to pay for per diems, but to find the optimal per diem rate that will allow for the holding of the workshop and the participation of the appropriate persons.

Often times, compensation employees receive for extra expenses for travel is substantially larger than their actual expenses. Such per diems or allowances play the same role as ‘conditional cash transfer’, and become a motivational instrument. The economy of motivation is governed by the law of supply and demand and the associated price-effect. Applied economics makes the assumption that there is an always positive correlation between reward and motivation (so-called rational economic man), and standard economics largely relies on the skillful application of this price effect. One such example is pay-for-performance, which has become the universal instrument for eliciting higher performance, from employees. The rational is that individuals are more willing to undertake a task if they can expect a reward. Hence, raising monetary incentives increases supply. Therefore (more) per diems will increase motivation to participation to workshops, seminars, and other travel missions (or increase motivation of manager to send staff to workshop/seminar).

This narrow view of the relation between reward and motivation is challenged by recent development in psychology. Recent studies and literature suggest that conditions involved in influencing and maximizing motivation are more complex than previously presumed. Social psychologists (Reitman, 1998; Frey, 2001; Meiyu and Gerhart 2012) have identified that the motivational structure of individuals is made up of extrinsic and intrinsic motivation. Extrinsic motivation comes from outside of the individual and involves external rewards, most usually associated by economists with the price system. Intrinsic motivation, or “behavioral motivation”, comes from within. Common extrinsic motivations are rewards like money, awards, and grades and performance-evaluative praise. By contrast, intrinsically motivated persons “enjoy doing what they are doing for its own sake”. This motivation consists in the willingness to contribute to the solution of problems (other terms such as “public spirit”, “civic duty” also conveys the same notion). For both extrinsic and intrinsic motivations, taken separately, the more we are motivated, the more effort we will put into a task.

But research has revealed that there may be situations where extrinsic motivation may work against intrinsic motivation. Psychologists’ experiments have shown that under particular conditions, increased extrinsic rewards can actually decrease intrinsic motivation. This counterintuitive finding suggests that there is a need to re-evaluate the traditional views of motivation in the workplace.

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8In most cases, the decision to participate in a workshop is not taken by the individual, but by his/her manager.
conditions, offering extrinsic rewards for the completion of an intrinsically interesting task could actually result in participants reducing the effort that they put into the task. For example Titmuss (1970, cited by Frey, 2001) argued that paying blood donors undermines cherished social values and would therefore reduce or totally eliminate people’s willingness to donate blood. As such, providing rewards for undertaking an activity thus might have an indirect negative consequences which can sometimes spread beyond the task for which the extrinsic reward is intended. A good example is a child who is paid by his parents to mow the family lawn and as a result is only willing to do it again if he receives monetary compensation. The induced unwillingness to do anything for free may also extend to other household chores. This economic anomaly is known as the “crowding out” effect (also sometimes termed as *The Hidden Cost of Reward*, Overjustification Hypothesis*, or the *Corruption Effect*). If the crowding out effect holds, raising monetary incentives reduces, rather than increases, supply. Under relevant circumstances, it is therefore not advisable to use the price mechanism to elicit a higher supply, and one should moreover rely on different types of incentive, namely intrinsic motivation. A respectable number of social scientists, including economists, now admit the theoretical possibility that motivation may be negatively affected when a previously non-monetary relationship is transformed into an explicitly monetary one.

Applying this concept on travel allowances, the nature of the interplay between per diem, extrinsic and intrinsic motivations can be formally analyzed if well integrated into an economic model to derive testable hypotheses. Adapting from the framework proposed by Frey (2001), Figure 1 graphically shows the interaction of the crowding-out effect and the per diems for participation in a hypothetical workshop. $S$ is the traditional supply curve based on the relative price effect: Raising the external reward (per diem) for participation from $O$ to $R$ increases workshop participation from $A$ to $A'$. The crowding-out effect induces the supply curve to shift towards the left to $S'$ (due to fall of intrinsic motivation). Thus, raising the per diem from $O$ to $R$ leads to point $C$ (instead of $B$). As the figure is drawn, the crowding-out effect dominates the relative price effect, and raising the reward from $O$ to $R$ reduces participation from $A$ to $A''$. Once intrinsic motivation has been crowded out completely, the normal supply curve takes over again, and raising the reward unequivocally increases work effort (movement along $S'$).
From this framework, we can postulate three hypotheses for a typical individual (taking African as an example)⁹:

**H1 = African is a purely extrinsically induced individual.** In this case, individual is considered to be a totally selfish person as far as workshop is concerned. He has no inherent motivation to attend workshop and is only interested in monetary rewards gains from attending the workshop, with no consideration of what will be his contribution to the workshop or what he will bring back from this workshop that could influence his institution and impact the development of his country/region. The typical situation may be the case of staff attending meetings in languages they cannot understand.

The classical economic model will fully work here (movement along - S - ). The more we are given per diems, the more we are motivated to participate to the workshop.

**H2 = African is a purely intrinsically induced individual.** In this case participation to the workshop is motive solely by the altruistic nature of the individual. He does not need per diem to attend the workshop, or he might only need to be reimbursed for the actual cost of attending. This non-rational person (in economic sense) is only driven by his “public spirit” with the desire to be useful and helpful. He will attend the workshop if he feels he will bring an added value to the workshop or if he thinks what he will learn could make him to become an agent of change back home. A typical example is the case of people who donate their blood just for the sake of helping humanity and will reduce or totally stop blood donation once a reward is introduced.

This case may be considered a major economic anomaly because it predicts the reverse reaction to the one expected according to the relative price effect on which much of economics is based¹⁰.

**H3 = African is driven by a mix of intrinsic and extrinsic motivation.** Between the extreme cases described above, there is a whole spectrum of possible combinations of intrinsic and extrinsic motivation. The most likely situation is that a typical African is driven by a mixture of extrinsic and intrinsic motivation. In such case, introduction of monetary reward will at the same time positively affect extrinsic motivation and negatively affect intrinsic motivation. The resultant of these will depend on the relative weight of the effects on extrinsic and on intrinsic motivation.

If the positive effect on extrinsic motivation of offering extra-per diem outweighs the negative effect on intrinsic motivation, the economic prediction will still work and the provision of per diems will increase the overall motivation to attend the workshop, but the increase will not be

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⁹It is supposed here that the decision to attend a workshop is taken by individual. However in most situations, this decision is the prerogative of the manager. In our analysis here, the two situations can be used interchangeably.

¹⁰Similar anomalies have received attention in economics. See for example the atypical supply curve in the labor market (the so called backward bending supply curve of labor). The curve indicates that while workers will initially chose to work more when paid more per hour, there is a point after which rational workers will choose to work less, as the marginal value of more money is outweighed by the loss of available time.
as much as one would have expected. Therefore using monetary incentives will work in increasing overall motivation, but, will be more costly because increased motivation due to higher per diem incentives (extrinsic motivation) must be traded off against losing support due to crowding-out (intrinsic motivation). If the negative effect on intrinsic motivation outweighs the positive effect on extrinsic motivation, per diem provision will rather decrease the overall motivation to attend the workshop.

The above framework can help to better understand and explain the structure of the behavior of people vis-à-vis per diems and travel for work related activities. In the current practice of travel allowance usage, the extrinsic type of motivation only, forms part of the implicit arguments. Behavior is supposed to be regulated by extrinsic motivation only, intrinsic motivation is assumed to be an exogenously given constant, and often it is completely disregarded. The basic idea that travel rewards, and in particular per diems payment may crowd out intrinsic motivation serves as a warning against rash generalizations of the current practice where intrinsic motivation is assumed to play no role, and paying higher and higher per diems is viewed as the optimal strategy. The limits of this approach must be reconsidered in view of possible limits of relying purely on per diems to raise motivation to travel for work related activities.

When individuals perceive it as their civic duty to do a professional trip, paying extra per diems might reduce motivation to travel. Coming back to the above example of workshop participation, if there is no extra-per diems, only those with a high intrinsic motivation will attend. As the amount of per diem increases, the incentive of intrinsically motivated individuals will drop and the incentive of extrinsically motivated ones will rise. If the per diem amount increases up to a certain point, the incentive of the intrinsically motivated people will get close to zero, while incentive of extrinsically motivated people will go close to their maximum. This explains why the probability is high to seeing selfish and “wrong” people participating in meeting which pay high per diem rate. Unfortunately, these categories are exactly those with no public service concern and the society as a whole would hardly benefit from their participation to the meeting.

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11 The situation will be the same if the decision is taken by the manager. If there is no extra per diem associated to the meeting, the manager will likely send the staff who is more suitable for the meeting and who will likely bring back some knowledge for the benefit of the institution. But if extra-per diems is paid, the manager will likely send the “wrong” staff, as his decision will also be influenced by his affinities with the “lucky” staff.

12 Also because these “wrong” staff do not have the prerequisites to attend and learn from these workshops/meetings.
6. Conclusion

An increased considerable portion of public spending in African countries is on per diems, usually in connection with seminars, workshops and other travels allowances. While such expenses on per diems might be cost-effective in some settings, the increasingly large amount spent warrants more attention to the question of whether administrations get “value for money” for these expenses. Unfortunately this topic has been largely unexplored and little has been written on the subject. This lack of knowledge severely hampers any attempt to understand and improve the per diems system. The present study contributes to fill a gap in the literature. The paper examines the political economy of per diems in the African context. Its revisits the conception of per diems on the continent, scans the extent to which per diems is used and abused, explores the probable consequences, and proposes a conceptual framework that could help to model the mechanism through which the per diems payment influences motivations and behaviors.

The paper describes the different forms of per diems practices in Africa and gives important insights into the magnitude of per diems as a proportion of public spending. The paper argues that the importance of per diems in national budgets in Africa is not negligible, and some government institutions are prone to spend more on travel-related allowances than others, owing to the nature of their mandates. However, due to the sensitivity of the subject matter, finding information on the subject is particularly difficult. For some countries, aggregated national data on per diems and allowances do not exist, and in other countries, the magnitude of the amount spent for per diem is such that governments prefer not to publicise it.

But the central concern around per diems, as described in this paper, is the abuses, gaming and rent-seeking behavior observed around per-diems systems, and the associated inefficiency. These hidden costs of per diems, often unseen have a powerful distorting impact on development efforts. In the African context, per diem is mainly used to provide financial incentives to employees to increase their motivation to participate in organized events. Recent researches from social psychology have identified that the motivational structure of individual is made of extrinsic and intrinsic motivation. Extrinsic motivation involves external rewards, most usually associated with rewards like money, awards, and grades, while intrinsic motivation or “behavioral motivation” comes from within. Also call “public spirit”, intrinsic motivated persons “enjoy doing what they are doing for its own sake”. The proposed conceptual framework illustrates the limits of per diems as a motivational factor for mission travel. The framework shows how intrinsic motivation is partially destroyed when extra-per diems are paid. Consequently, the per diems mechanism becomes less effective in raising motivation of the targeted population.

As the amount of per diem increases, the incentive of intrinsically motivated individuals decreases while the incentive of extrinsically motivated ones increase. Paying high per diem rate will therefore decrease the probability of altruistic people to attend a meeting, while “unwanted” selfish individuals will likely fill the room just for the sake of earning money. These findings serve as a warning against generalized use of per diems as the motivational factor
for workshop attendance. Where public spirit prevails (intrinsic motivation), using extra-per diems incentives to rise motivation to attend meeting/workshop comes at a higher price than suggested by standard economic theory because these incentives tend to crowd out the most suitable participants. When intrinsic motivation does not exist or has already been crowded out, the use of per diems is a suitable strategy to win desired participation.

These conclusions are of general relevance for economic theory and policy as they identify particular limit of per diems as motivators for efficient business related travel. One implication for economic policy is that there is a need to reconsider the role and the use of per diem in support for development activities. One option is to re-conceptualize the function of per diems along the lines of its original definition (costs reimbursement), and finding a different channel to raise the motivation of staff (for example through higher salaries). In that perspective per diems will no longer play the role of a motivation agent or salary supplement, and one could consider decreasing the rate of per diems. Decreasing the daily rate of per diem will have a positive effect on public finances, and, as shown in this paper, would not have a significant impact on the workshop participation (at least on the quality of participants).

The analysis in this paper also has some implications for economic theory. Standard economic theory does not normally differentiate between different sources of motivation; extrinsic type of motivation only forms part of the theoretical arguments, and intrinsic motivation is assumed to be an exogenously given constant, and often it is completely disregarded. This practice should be reconsidered in view of possible limits of relying purely on extrinsic incentives. Under relevant circumstances, it is not advisable to use the per diems mechanism to elicit a higher motivation, and one should moreover rely on a quite different type of incentive, namely intrinsic motivation. However, an important difficulty remains the ability to measure, influence and control intrinsic motivation.


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