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State 119780  
April 15, 1988

UNCLASSIFIED  
HB 1, Part VII  
April 26, 1988  
(TM 1:42)

POLICY GUIDANCE ON CRITERIA FOR PAYMENT OF  
SALARY SUPPLEMENTS FOR HOST GOVERNMENT EMPLOYEES

1. THIS CABLE CLARIFIES AND SUPERCEDES AGENCY POLICY GUIDANCE ON PAYMENT OF SALARY SUPPLEMENTS TO HOST GOVERNMENT [HG] EMPLOYEES CONTAINED IN REF [A]. AID/W HAS REVIEWED FIELD RESPONSES TO THE QUESTIONNAIRE ON SALARY SUPPLEMENTS CONTAINED IN REF [B] AND FOUND THESE RESPONSES HELPFUL IN IDENTIFYING NECESSARY CHANGES AND CLARIFICATIONS. MUCH OF THIS GUIDANCE IS IDENTICAL TO THE GUIDANCE CONTAINED IN REF [A]; HOWEVER, THE PARAGRAPHS BELOW DO PROVIDE NEW DEFINITIONS AND EXPLANATIONS OF THE COVERAGE OF THIS POLICY AS WELL AS ADDITIONAL REQUIREMENTS FOR DOCUMENTATION OF SALARY SUPPLEMENTS PAID BY A.I.D.

2. THE ISSUE OF SALARY SUPPLEMENTS REMAINS SENSITIVE AND A MATTER OF BOTH CONGRESSIONAL AND AGENCY CONCERN. IT IS A.I.D. POLICY THAT SALARY SUPPLEMENTS SHOULD BE CONSIDERED AN EXCEPTION TO NORMAL A.I.D. PRACTICE REQUIRING EXCEPTIONAL JUSTIFICATION.

3. DEFINITIONS:

A. A HG EMPLOYEE COVERED UNDER THIS GUIDANCE IS AN EMPLOYEE PAID BY THE HG, OCCUPYING AN ESTABLISHED POSITION, EITHER TEMPORARY OR PERMANENT, PART-TIME OR FULL-TIME, WITHIN A HG INSTITUTION. A HG INSTITUTION IS AN ORGANIZATION IN WHICH THE GOVERNMENT OWNS AT LEAST A FIFTY PERCENT SHARE OR RECEIVES AT LEAST FIFTY PERCENT OF ITS FINANCIAL SUPPORT FROM THE GOVERNMENT.

B. SALARY SUPPLEMENTATION OCCURS WHEN PAYMENTS ARE MADE THAT AUGMENT AN EMPLOYEE'S BASE SALARY OR PREMIUMS, OVERTIME, EXTRA PAYMENTS, INCENTIVE PAYMENT AND ALLOWANCES FOR WHICH THE HG EMPLOYEE WOULD QUALIFY UNDER HG RULES OR PRACTICE FOR THE PERFORMANCE OF HIS REGULAR DUTIES OR FOR WORK PERFORMED DURING HIS REGULAR OFFICE HOURS. PAYMENT, IN FULL OR PART, OF HG BASE SALARIES AND OTHER ENUMERATED PAYMENTS AT HG RATES WOULD BE SUBJECT TO THE AGENCY'S GUIDANCE ON RECURRENT COST [SEE HANDBOOK-1, PART III.A2]. WHERE THE MISSION PAYS THE SALARY AND ALLOWANCES OF HG OFFICIALS AT THE HG RATE, IT IS NOT CONSIDERED A SALARY SUPPLEMENT BUT RATHER RECURRENT COST.

C. THE FOLLOWING ARE NOT CONSIDERED TO BE SALARY SUPPLEMENTS: PER DIEM; INVITATIONAL TRAVEL; HONORARIA AND PAYMENT FOR WORK CARRIED OUT OUTSIDE OF NORMAL WORKING HOURS. THE RULES GOVERNING THESE TYPES OF PAYMENTS ARE SUMMARIZED IN PARAGRAPH 5 BELOW.

4. RULES ON SALARY SUPPLEMENTS:

A. A.I.D. DISCOURAGES SALARY SUPPLEMENTS EXCEPT IN VERY SPECIAL CIRCUMSTANCES. HENCEFORTH, MISSIONS MUST SUBMIT ANY NEW PROPOSALS FOR SALARY SUPPLEMENTATION TO A.I.D. WASHINGTON FOR APPROVAL BY THE APPROPRIATE ASSISTANT ADMINISTRATOR.

B. A.I.D. NORMALLY EXPECTS THAT THE HG WILL FINANCE ANY NECESSARY SUPPLEMENTS TO COMPENSATION FOR ITS REGULAR EMPLOYEES WHEN THEY ARE ASSIGNED TO A.I.D.-FINANCED PROJECTS. THERE ARE INSTANCES, HOWEVER, WHERE AS A LAST RESORT A.I.D. FINANCING OF SUPPLEMENTS TO LOW HOST COUNTRY SALARIES MAY BE DEEMED ESSENTIAL TO THE ACHIEVEMENT OF HG AND A.I.D. JOINT PROGRAM OBJECTIVES. SUCH SUPPLEMENTS TYPICALLY TAKE THE FORM OF PREMIUMS FOR RELOCATION TO REMOTE PROJECT SITES, INCENTIVES, AND BONUSES NECESSARY TO ATTRACT HIGHLY TRAINED TECHNICAL SPECIALISTS TO DEVOTE THEIR EXPERTISE TO THE PLANNING OR IMPLEMENTATION OF DEVELOPMENT PROJECTS.

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State 119780  
April 15, 1988

HB 1, Part VII  
April 26, 1988  
(TM 1:42)

C. A.I.D. PROJECT FUNDS MAY BE USED FOR THESE PURPOSES ONLY IF THE FOLLOWING CRITERIA ARE MET:

- THE PAYMENTS ARE PERMITTED UNDER HOST COUNTRY LAW AND REGULATIONS.
- THE COOPERATING ENTITY HAS DEMONSTRATED THAT IT CANNOT MAKE THESE PAYMENTS FROM ITS OWN RESOURCES FOR VALID REASONS SUCH AS THE INABILITY OF THE ENTITY TO PROVIDE THE FINANCING WITHIN THE TIME REQUIRED TO MEET THE NEEDS OF THE ACTIVITY.
- THE SUPPLEMENTS ARE JUDGED ESSENTIAL TO THE ACHIEVEMENT OF PROJECT OR PROGRAM OBJECTIVES.
- EMPLOYEES DO NOT RECEIVE DUPLICATE PAYMENTS BY RECEIVING SUPPLEMENTS FROM ANOTHER SOURCE FOR THE SAME ACTIVITY.
- THE RATES AND FEES PAID ARE IN ACCORDANCE WITH LOCAL STANDARDS AND ARE LIMITED TO AMOUNTS REASONABLE IN RELATION TO AN EMPLOYEE'S PAY AND, FOR CONTINUING PROGRAMS, IN AMOUNTS WHICH THE HOST COUNTRY ENTITY COULD BE EXPECTED TO MEET FROM ITS OWN RESOURCES WITHIN A REASONABLE TIME.
- THE PROPOSED RECIPIENTS WOULD BE CARRYING OUT TECHNICAL, MANAGERIAL OR ADMINISTRATIVE SUPPORT RATHER THAN BROAD POLICY FUNCTIONS.
- A MECHANISM EXISTS FOR PROVIDING THE SUPPLEMENTS WHICH PREVENTS POTENTIAL ABUSE IN THE DETERMINATION OF RECIPIENTS AND AMOUNTS TO BE PROVIDED; ENSURES FINANCIAL INTEGRITY IN THE PAYMENT SYSTEM; AND ESTABLISHES ADEQUATE MONITORING AND REPORTING.

D. IF THE ABOVE CRITERIA ARE MET, JUSTIFICATION FOR THE PROPOSED SUPPLEMENTS AND A MECHANISM FOR PROVIDING THE SUPPLEMENTS MUST BE SET FORTH EXPLICITLY IN AND APPROVED AS PART OF THE ACTIVITY DOCUMENTATION AND/OR AUTHORIZATION AND DESCRIBED IN THE RELEVANT AGREEMENT. WHEN SALARY SUPPLEMENTS ARE LIKELY TO BE INCLUDED IN A PROPOSED A.I.D. PROJECT OR PROGRAM, THIS SHOULD BE CLEARLY INDICATED IN THE PROJECT IDENTIFICATION DOCUMENT [PID], OR OTHER RELEVANT DOCUMENT. THIS JUSTIFICATION AND A DESCRIPTION OF THE

MECHANISM FOR PROVIDING THE SALARY SUPPLEMENTATION MUST BE REVIEWED BY THE APPROPRIATE ASSISTANT ADMINISTRATOR. DOCUMENTATION OF THE LEGALITY OF SUCH PAYMENTS UNDER HOST COUNTRY LAWS AND REGULATIONS SHOULD BE MAINTAINED AND READILY ACCESSIBLE AS PART OF THE PROJECT OR PROGRAM FILES.

E. THIS POLICY GUIDANCE APPLIES TO THE USE OF A.I.D. DOLLAR RESOURCES, AS WELL AS TO U.S.-OWNED LOCAL CURRENCY AND HOST COUNTRY-OWNED LOCAL CURRENCY JOINTLY PROGRAMMED BY A.I.D. AND THE HOST COUNTRY WHEN THE PROPOSED USES OF THE LOCAL CURRENCY INCLUDE EXPLICITLY PAYMENT OF SALARY SUPPLEMENTS.

F. POLICY-MAKING OFFICIALS SHALL NOT RECEIVE A.I.D. PAYMENT OF SALARY SUPPLEMENTS IN ANY FORM INCLUDING A.I.D. PAYMENTS FOR PROJECT-RELATED WORK CONDUCTED OUTSIDE NORMAL WORKING HOURS AS DISCUSSED IN PARAGRAPH 5.D. BELOW. POLICY-MAKING OFFICIALS ARE DEFINED AS HIGH-LEVEL ELECTED OR APPOINTED OFFICIALS SUCH AS THOSE SERVING ON THE CABINET OR IN THE IMMEDIATELY SUBORDINATE SUB-CABINET POSITION.

UNCLASSIFIED

State 119780  
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(TM 1:42)

G. THIS POLICY GUIDANCE APPLIES TO ALL NEW PROJECTS AND ACTIVITIES HENCEFORTH. IT MUST ALSO BE APPLIED TO ONGOING PROJECTS AND ACTIVITIES TO THE FULL DEGREE DEEMED FEASIBLE BY THE MISSION DIRECTOR AND WITHOUT JEOPARDIZING OVERALL A.I.D. COUNTRY PROGRAM OBJECTIVES PREVIOUSLY SIGNED BY THE USAID AND THE HG, INCLUDING THOSE FUNDED BY A.I.D. AND MANAGED BY PVOS OR OTHER NON-GOVERNMENTAL ORGANIZATIONS. APPROPRIATE ASSISTANT ADMINISTRATORS MUST BE ADVISED IMMEDIATELY OF SPECIFIC CIRCUMSTANCES WHERE ONGOING SALARY SUPPLEMENTS CANNOT BE BROUGHT INTO COMPLIANCE WITH THIS POLICY GUIDANCE. MISSIONS WILL PROVIDE SPECIFIC DETAILS TO THE ASSISTANT ADMINISTRATORS WHERE THERE IS ANY DOUBT REGARDING THE LEGAL BASIS OF SALARY SUPPLEMENTS [SEE SUBPARAGRAPH I BELOW].

H. USAIDS SHOULD DISCUSS THE ISSUE OF SALARY SUPPLEMENTS WITH OTHER DONORS IN AN EFFORT TO MINIMIZE THE PRACTICE, AVOID DUPLICATIVE PAYMENTS FOR THE SAME PROJECT OR ACTIVITY, MODERATE COMPETITIVE EFFORTS TO ATTRACT LIMITED CAPABLE PERSONNEL AND, IN CASES WHERE SUPPLEMENTATION IS NECESSARY, TO ARRIVE AT GENERALLY COMPARABLE LEVELS OF SUPPLEMENTARY COMPENSATION.

I. ANY LEGAL QUESTIONS SHOULD BE RESOLVED BY THE MISSION DIRECTOR IN COORDINATION WITH REGIONAL LEGAL ADVISOR. IF ANY DOUBT REMAINS CONCERNING LEGAL QUESTIONS, THE REGIONAL ASSISTANT ADMINISTRATOR OR HIS DESIGNEE IN COORDINATION WITH A.I.D./GC SHOULD MAKE THE DETERMINATION. ANY OTHER QUESTIONS REGARDING APPLICATION OF THIS GUIDANCE SHOULD BE DIRECTED TO THE REGIONAL BUREAU ASSISTANT ADMINISTRATOR AND AA/PPC.

J. EXCEPTION TO THIS POLICY AND ELIGIBILITY CRITERIA WILL BE GRANTED VERY

RARELY AND MUST BE APPROVED IN ADVANCE BY THE APPROPRIATE ASSISTANT ADMINISTRATOR IN WASHINGTON.

5. RULES ON PAYMENTS TO INDIVIDUALS WHICH ARE NOT CONSIDERED TO BE SALARY SUPPLEMENTS:

A. PER DIEM IS PERMISSIBLE FOR PROGRAM OR PROJECT-RELATED ACTIVITIES PROVIDED ANY SUCH REIMBURSEMENT IS PAID AT THE HG RATE, U.S. GOVERNMENT RATE OR ON AN ACTUAL COST REIMBURSEMENT BASIS.

B. IT IS PERMISSIBLE TO FUND THE INTERNATIONAL TRAVEL OF POLICY OFFICIALS ON INVITATIONAL TRAVEL ORDERS APPROVED BY THE MISSION DIRECTOR. IN SPECIAL CIRCUMSTANCES, SUCH AS WHEN HG

POLICY OFFICIALS ACCOMPANY U.S. GOVERNMENT OFFICIALS ON OFFICIAL TRAVEL WITHIN THE HOST COUNTRY, IT IS ALSO PERMISSIBLE TO FUND DOMESTIC TRAVEL OF HG POLICY-MAKING OFFICIALS AT THE U.S. GOVERNMENT RATE OR ON AN ACTUAL COST REIMBURSEMENT BASIS, EVEN THOUGH THE OFFICIAL IS NOT ON U.S. GOVERNMENT TRAVEL ORDERS. SUCH TRAVEL COSTS AND PER DIEM ARE NOT CONSIDERED SALARY SUPPLEMENTS.

C. HONORARIA MAY BE PAID TO UNIVERSITY EMPLOYEES AND TO MEMBERS OF RESEARCH INSTITUTIONS, WHO ARE HG EMPLOYEES SOLELY BY VIRTUE OF THEIR POSITION IN A UNIVERSITY OR RESEARCH INSTITUTION, CARRYING OUT PROJECT-RELATED ACTIVITIES OUTSIDE THEIR NORMAL DUTIES WHERE THE NORMAL PRACTICE OF THE HG CONDONES THIS TYPE OF ADDITIONAL WORK. ONLY NOMINAL AND OCCASIONAL PAYMENTS OF HONORARIA TO OTHER HG EMPLOYEES UNDER SIMILAR CIRCUMSTANCES MAY BE PAID PROVIDED SUCH PAYMENTS ARE CLEARLY FOR FUNCTIONS OUTSIDE THEIR NORMAL DUTIES AND DO NOT TAKE PLACE DURING NORMAL WORKING HOURS OR OTHERWISE CONFLICT WITH OFFICIAL DUTIES IN WHICH CASE THEY ARE NOT CONSIDERED SALARY SUPPLEMENTS. FREQUENT RECURRING PAYMENTS ARE PROHIBITED EXCEPT FOR UNIVERSITY EMPLOYEES.

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D. PAYMENT FOR PROJECT-RELATED RESEARCH AND SPECIFIC STUDIES CONDUCTED OUTSIDE NORMAL WORKING HOURS AND PERMITTED BY HG PRACTICE AND LAW IS ALLOWABLE PROVIDED THE HG EMPLOYEE IS NOT COMPLETING THIS WORK DURING HOURS OF HIS REGULAR DUTIES PAID BY THE HG AND PROVIDED THE WORK DOES NOT CONFLICT IN ANY OTHER WAY WITH OFFICIAL DUTIES. A CLEAR RELATIONSHIP AND METHOD OF PAYMENT NEEDS TO BE ESTABLISHED FOR THESE SERVICES, E.G. - COOPERATIVE AGREEMENT, END PRODUCT OR PURCHASE ORDER. GENERALLY, A PSC IS NOT CONSIDERED AN APPROPRIATE MECHANISM BECAUSE OF THE IMPLIED EMPLOYEE/EMPLOYER RELATIONSHIP. MISSIONS SHOULD GENERALLY AVOID FINANCING PAYMENTS FOR INDIVIDUALS WHO ARE ALREADY CARRYING OUT SIMILAR ACTIVITIES AS PART OF THEIR NORMAL DAILY DUTIES OR OFFICIAL FUNCTION. ALSO TO THE MAXIMUM EXTENT PRACTICAL, THE WORK SHOULD BE PERFORMED ON A SITE OTHER THAN THE EMPLOYEE'S NORMAL WORK SITE. IT SHOULD BE KNOWN TO THE EMPLOYEE'S HG SUPERVISOR.

E. MISSIONS ARE RESPONSIBLE TO ENSURE THAT ADEQUATE DOCUMENTATION IS AVAILABLE IN PROJECT OR PROGRAM FILES TO SUPPORT ANY PAYMENTS MADE WITHIN THE SCOPE OF THIS POLICY GUIDANCE ON PAYMENTS TO INDIVIDUALS WHICH ARE NOT CONSIDERED TO BE SALARY SUPPLEMENTS.

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