Motivating bureaucrats with non-monetary incentives when state capacity is weak:
Evidence from large-scale field experiments in Peru

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ipa INNOVATIONS FOR POVERTY ACTION

Key findings

1 Supportive evidence about the role of behavioral-based non-monetary incentives as a tool to increase compliance among civil servants

2 Context matters for optimal design of these type of incentives

3 Flexible and low cost strategy to address principal-agent problems when state capacity is low

Policy Issue
Setting the scene

State´s effectiveness depends on quality of civil servants (Finan et al., 2017)

¿How to improve civil servant´s capacity in a context where: i. state capacity is low, ii. cost of enforcement is high?

* Recruit better not always possible (Dal Bo et al., 2013; Ahsraf et al., 2018)

* Monetary incentives? Well studied (Finan et al., 2017) but expensive at scale.

* We know less about non-monetary incentives for civil servants (Ashraf et al. 2014, Islam et al. 2017, Banerjee et al. 2014, Khan et al. (2018)) e.g. rooted in behavioral economics.

Can non-monetary incentives, based on behavioral insights, increase the capacity of the state to improve civil servants' performance compliance at scale?
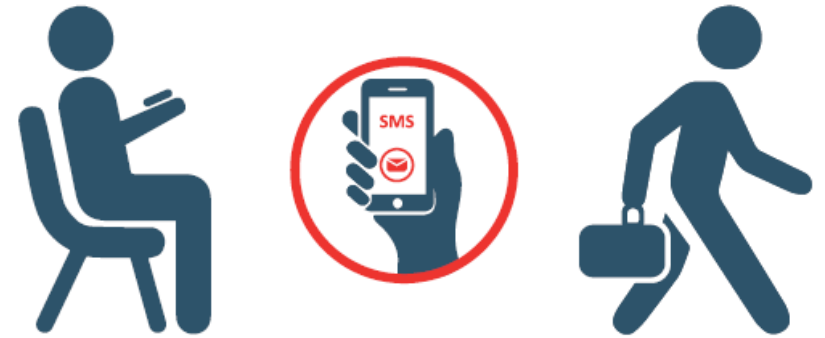
Details of evaluation

Tool: SMS (text message) campaign w/behavioral content

3 RCTs in 2 nationwide social programs
- Benchmark experiment: MINEDU (MineduLab) 2015
- Replication experiment: MINEDU (MineduLab) 2016
- External validity experiment: Cuna Más 2016

Benchmark experiment

Setting the scene

National Program of Educational Infrastructure (PRONIED) MoE

Funds transferred to schools for maintenance work

Cycle of activities

- Principal files plan of work

- Government transfers $ to National Bank account

- Implementation of maintenance activities (withdraw cash, spend)

- File expense report online

COMPLIANCE GAP

Compliance

(1) Incomplete bank account withdrawals: not all funds executed -> potential that not all planned work is completed.

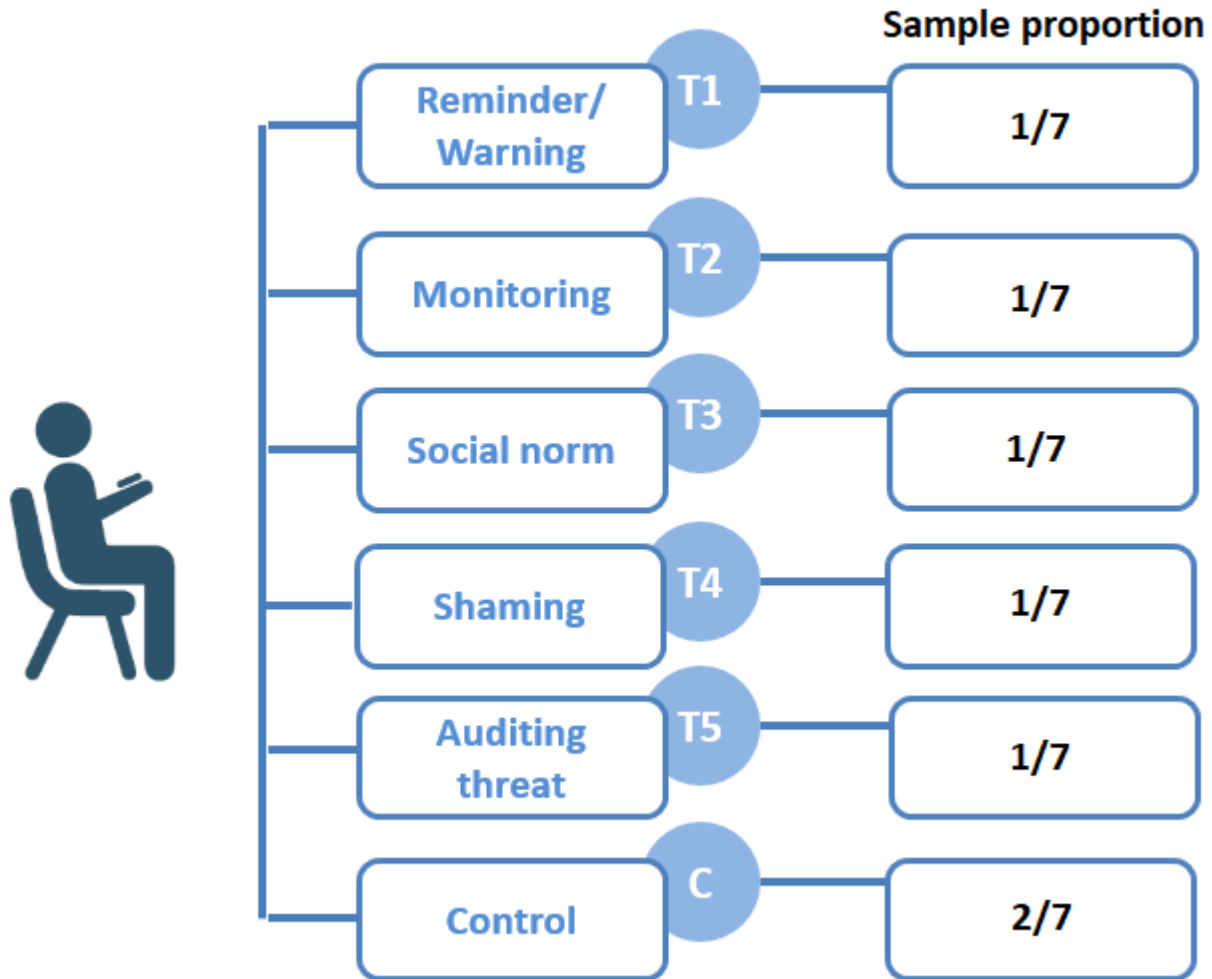(2) Expenditure report not filed: Quality control and accountability.

Intervention

SMS CAMPAIGN CHARACTERISTICS

- 5 SMS during three months
- Messages targeted an activity: file of plan, withdraw of funding, file expense report.
- Behavioral tools:

  ∗ Personalized messages (Karlan et al 2016)

  ∗ Use of (exogenous) deadlines (Ariely et al 2002)

  ∗ 5 Behavioral content: variation across treatments

Intervention

Sample proportion

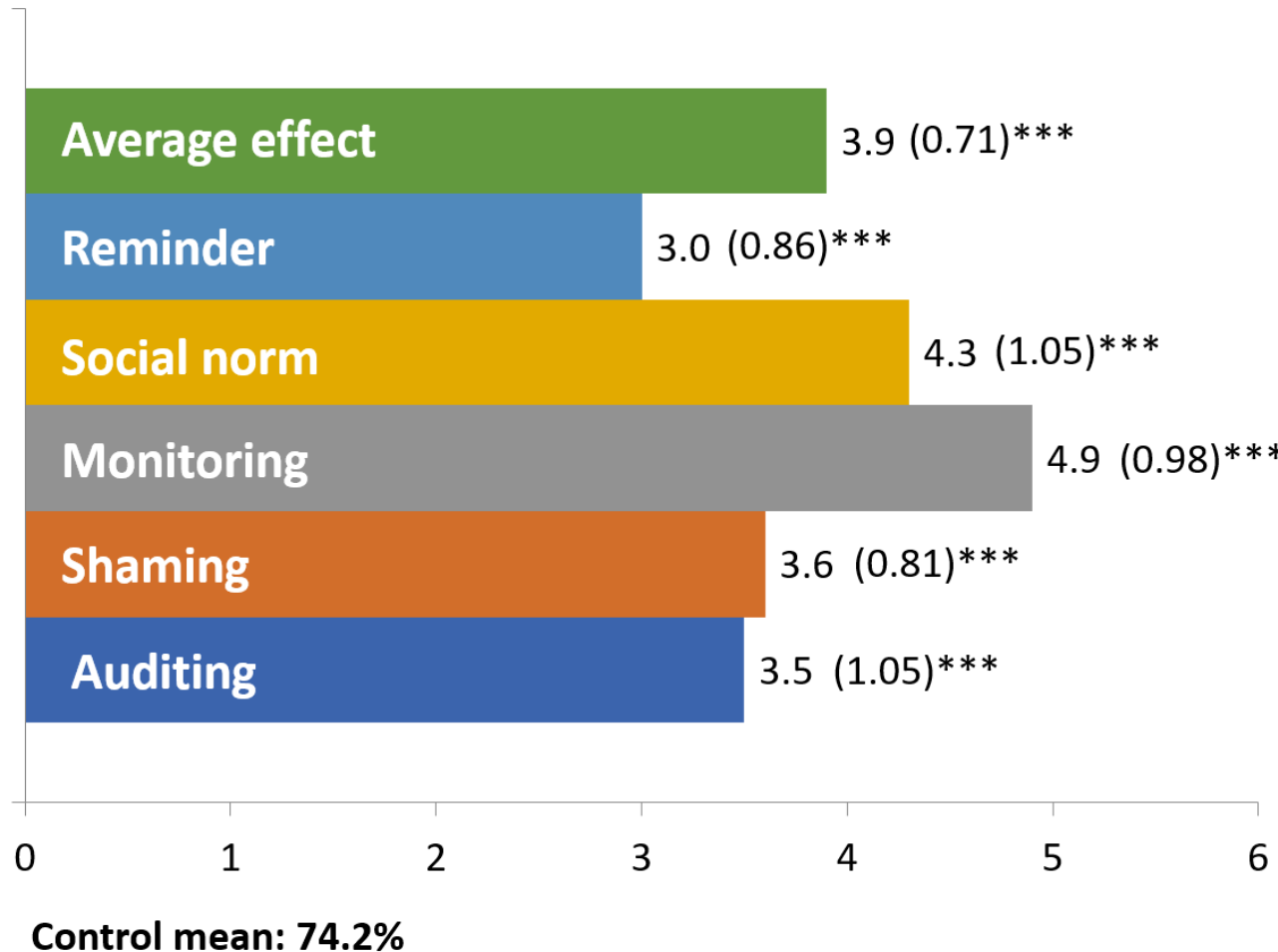|		
Reminder/ Warning	T1	1/7
Monitoring	T2	1/7
Social norm	T3	1/7
Shaming	T4	1/7
Auditing threat	T5	1/7
Control	C	2/7

n = 24,257

Outcomes Being Studied

Combination of administrative data and primary data (surveys)

- **Focus on expense report.** Source -> Wasichay system (PRONIED Information system).

- Reports of bank balances [Similar effects]. Source -> National Bank account data.
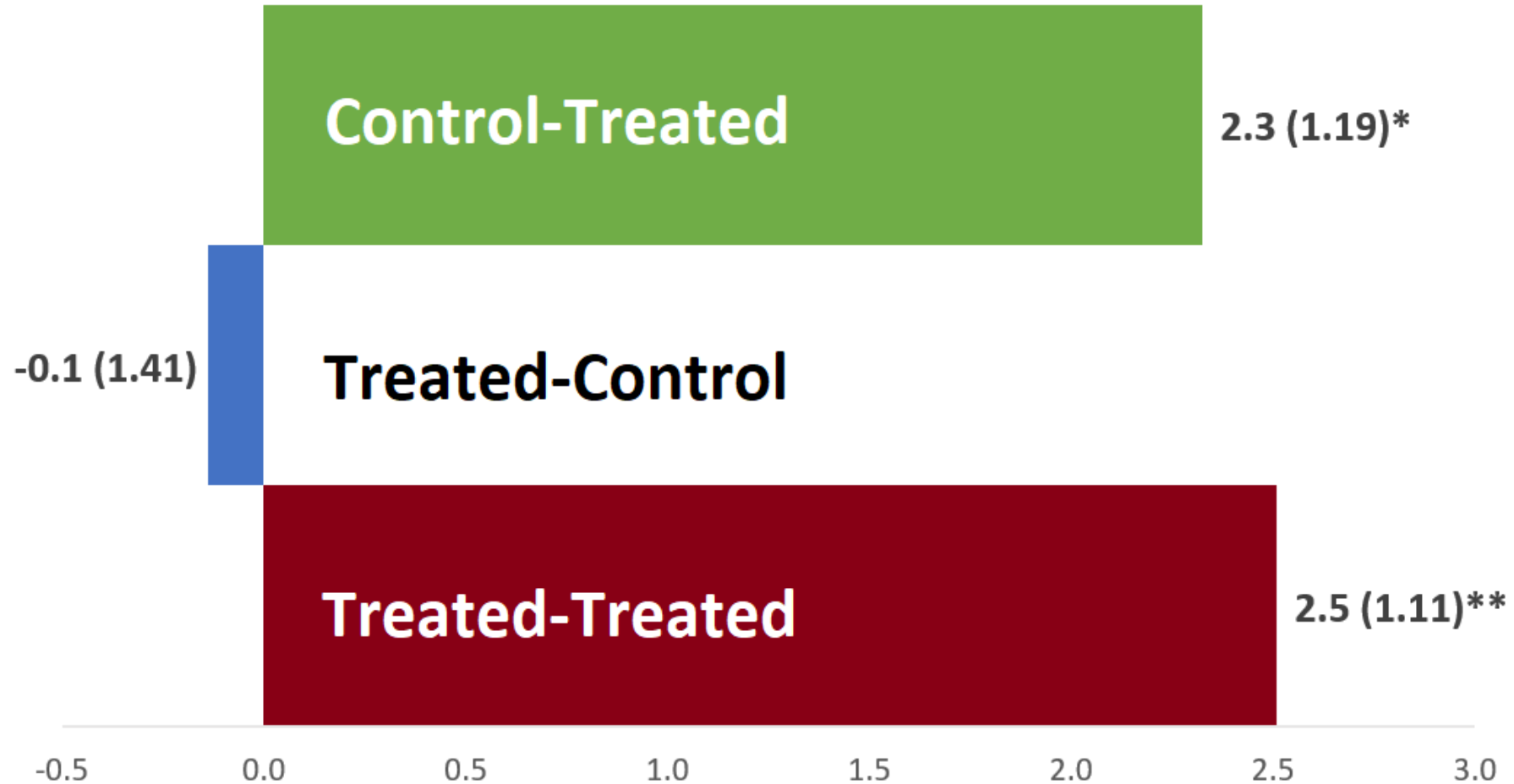
SMS increases expense report filing rate

Average effect — 3.9 (0.71)***
Reminder — 3.0 (0.86)***
Social norm — 4.3 (1.05)***
Monitoring — 4.9 (0.98)***
Shaming — 3.6 (0.81)***
Auditing — 3.5 (1.05)***

Control mean: 74.2%

Receiving any message reduces by 15% the compliance gap

Replication: No evidence of fatigue or persistence

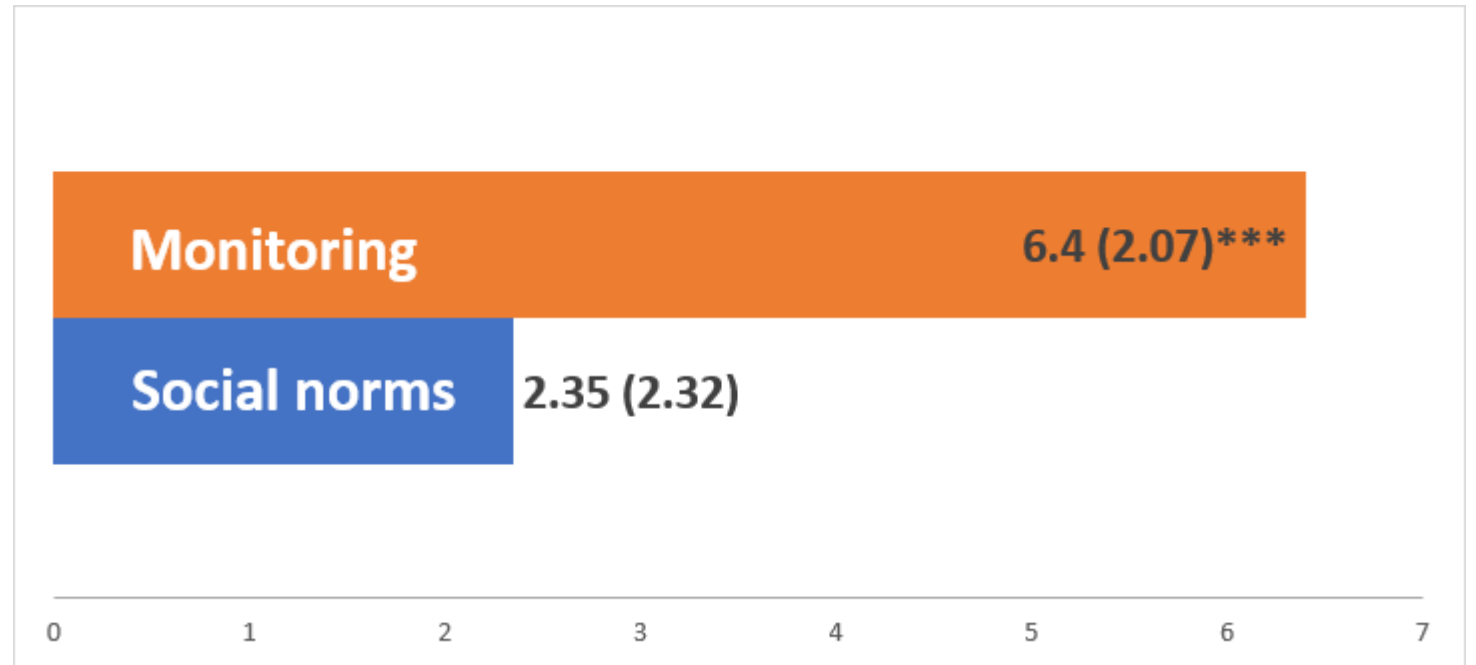## Average impact of SMS on filing expense report by 2015-2016 status

Control mean: 80.6%

External Validity Experiment": SMS campaign in another setting (Cuna Más)

- Replicate with case managers who file monthly reports of household visits

- 3 SMS per month with two treatments: i. Monitoring and ii. Social norm

Monitoring: 6.4 (2.07)***

Social norms: 2.35 (2.32)

Low tenure contracts (can be fired)

Control mean: 70.14%

Results and conclusions

1   Supportive evidence about the role of behavioral-based non-monetary incentives as a tool to increase compliance among civil servants

2   Low cost strategy to address principal-agent problems

3   Context matters for optimal design of messages -> A/B testing

4   Results were basis for design and implementation of a national policy: 24,000 schools with cellphone connection.

Dynamics of treatment effects