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

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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

(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

T1
Reminder/Warning
1/7

T2
Monitoring
1/7

T3
Social norm
1/7

T4
Shaming
1/7

T5
Auditing threat
1/7

C
Control
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

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-Treated: 2.3 (1.19)*

Treated-Control: -0.1 (1.41)

Treated-Treated: 2.5 (1.11)**

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

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.
Thank you
Dynamics of treatment effects