



Incentives for M&E— How to Create Demand

Efforts to strengthen government M&E systems are often viewed as technical fixes—involving better data systems, the conduct of good quality evaluations, and so forth. These supply-side issues are certainly important, but they are insufficient to strengthen the systems.

In chapter 10 we noted that, for the successful institutionalization of an M&E system—that is, the creation of a sustainable, well-functioning M&E function within a government, where good quality M&E information is used intensively—the demand side is particularly important. Demand focuses on the priority to *use* monitoring information and evaluation findings in support of core government activities. Uses include to assist resource-allocation decisions in the budget process; to help ministries in their policy formulation and analytical work; to aid ongoing management and delivery of government services; and to underpin accountability relationships.

Achieving strong demand within a country, however, is another matter. Having examples of other countries—such as Chile, Colombia, and a number of OECD countries—that have invested the effort necessary to build a well-functioning M&E system can be enormously influential in creating interest in M&E and building demand for it. And illustrating the cost-effectiveness of individual evaluations conducted in other countries can also persuade decision makers about the merits of M&E.

Some countries, such as Egypt, have developed a good understanding among key government ministers of the potential benefits of M&E. Yet efforts to institutionalize M&E in Egypt have been substantially frustrated by mid-level officials who did not buy into this vision of an M&E system.

The key issue this illustrates is the need to ensure there are sufficiently powerful incentives within a government to conduct M&E and to a good level of quality, and to use M&E information intensively. In other words, strong incentives are necessary if the M&E function is to be successfully institutionalized. This also highlights the importance of understanding the incentives facing ministries and individual civil servants to conduct—or not—M&E.

A public sector environment in which it is difficult for managers to perform to high standards and to perform consistently is hostile to M&E. Managers can do little more than focus on narrowly defined day-to-day management tasks. They are not willing to be held accountable for performance if they do not have some surety of the resources available to them or if they do not have substantial control

over the outputs of their activities. In this environment, M&E is understandably seen by managers as irrelevant, as potentially (and probably) unfair to them, and as a threat rather than an aid.

The nature of incentives for M&E depends on how a country envisions using M&E information. If the main intended use of M&E is to assist line managers in all sector ministries and agencies—the learning function of M&E—then the broad civil service culture is important. But if M&E is conducted primarily for accountability purposes, then the key stakeholders, whose demand for M&E would be paramount, would be much narrower: the office of the president or prime minister, the Congress or Parliament, the finance and planning ministries, and the auditor-general.

If M&E is intended as a tool for performance budgeting, then the finance ministry and probably some other central ministries would be the key stakeholders. Sector ministries would also be stakeholders in a broad-based performance budgeting system (such as Australia's—see chapter 8) but would play a much less-important role in a more centralized budgeting system (such as Chile's—see chapter 6). Finally, if M&E is intended as a tool to support evidence-based policy formulation and analysis, then it is more likely to involve all ministries.

Clearly each of these intended uses of M&E involves somewhat different sets of stakeholders and thus incentives—to drive the system. As noted earlier, there is a tendency for government M&E systems to be conceived in an ambitious manner to

include all possible uses of M&E information (see, for example, the case of Colombia—annex B). This approach would involve all stakeholders and thus a more complex set of incentives and may be unrealistic.

As we shall see in chapter 12, it is important that the issue of incentives is investigated when conducting a diagnosis of a country's or a ministry's M&E system; it is also a key issue when preparing an action plan to strengthen an M&E system. As already noted, the importance of understanding incentives is stressed in the extensive literature on achieving other types of governance reform (World Bank 1997b, chapter 9).

Three types of incentive are presented in table 11.1: carrots, sticks, and sermons.¹ Many of these incentives have been used to help institutionalize M&E in developed and developing country governments. Carrots provide positive encouragement and rewards for conducting M&E and utilizing the findings. They include, for example, public recognition or financial incentives to ministries that conduct M&E.

Sticks include prods or penalties for ministries or individual civil servants who fail to take performance and M&E seriously—such as financial penalties for ministries that fail to implement agreed-on evaluation recommendations. Finally, sermons include high-level statements of endorsement and advocacy concerning the importance of M&E. They also include efforts to raise awareness of M&E and to explain to government officials what's in it for them.

Table 11.1: Incentives for M&E—Carrots, Sticks, and Sermons

Carrots	Sticks	Sermons
<ul style="list-style-type: none"> • Awards or prizes—high-level recognition of good or best practice evaluation or of managing for results. • Collegiate approach to M&E between key ministries—helps avoid the situation where a rival ministry controls M&E information. • Budgetary incentives for high-performing programs—for example, Chile’s bidding fund (Caveat: The desirable relationship between performance and funding is often unclear. For example, sometimes it is necessary to provide additional funding to an underperforming program to fix it—see Part VI, question 15.). • Provision of budget-related incentives to ministries/agencies to improve performance (thus putting premium on having M&E information to demonstrate performance)—for example, finance ministry provides greater funding certainty, forwards estimates through a medium-term expenditure framework, resource agreements, portfolio budgeting, program budgeting. • Greater management autonomy provided to programs performing well. • Output- or outcome-based performance triggers in World Bank (and other donor) loans to governments—for example, Bank loan supporting Brazil’s <i>Boisa Familia</i> program. • Rewards for compliance with M&E formal requirements (including for high-quality M&E). • Additional funding to ministries to conduct M&E. • Careful knowledge management of evaluation findings—for example, providing easily understood executive summaries targeted to key audiences can reduce the cost of accessing and digesting the findings. • Conduct regular “How Are We Doing?” team meetings (managers and staff) to clarify objectives, review team performance, and identify ways to improve it. 	<ul style="list-style-type: none"> • Enact laws, decrees, or regulations mandating M&E. • Have formal requirements for the planning, conduct, and reporting of M&E—create organizational momentum if ministries are forced to create committees and other formal structures for M&E. • Withhold part of funding from ministries/agencies that fail to conduct M&E. • Achieve greater transparency about government and managers’ performance by regularly publishing information on all programs’ objectives, outputs, and service quality. Performance comparisons across jurisdictions (states, provinces, districts, municipalities) are particularly effective in highlighting good/bad performance, emphasizing good performers, and embarrassing poor performers. • Highlight adverse M&E information in reports to Parliament/Congress and disseminate widely. This can be politically sensitive and overly embarrassing to government. • Set challenging but realistic performance targets (for example, on a quarterly or annual basis) that each ministry, agency, and program manager is required to meet. • Include relevant performance indicators (outputs, outcomes) in the annual performance appraisals of managers. • Require performance exception reporting where targets not met—requires that program areas explain poor performance (Colombia). • Highlight poor quality evaluation planning, data systems, performance indicators, M&E techniques, M&E reporting—shames poor performance (a supreme audit institution, a central ministry such as finance or the president’s office, and possibly internal audit, can play this role). • Penalize noncompliance with agreed evaluation recommendations (Chile). • Hold presidential town hall meetings with citizens to showcase good/bad government performance (Colombia). 	<ul style="list-style-type: none"> • High-level statements of endorsement by president, ministers, heads of ministries, deputies, and so forth. • Government vision statements on public sector reform, good governance, or national plans, which highlight the merits of M&E. • Frequent repetition of message of support at meetings of ministry senior executives, section heads, other staff. • Awareness-raising seminars/workshops to demystify M&E, provide comfort about its doability, explain what’s in it for participants. • Use of actual examples of influential M&E to demonstrate its utility and cost-effectiveness. • Explain to service managers and staff how M&E can help them deliver better services to their clients. • Pilot some rapid evaluations and impact evaluations to demonstrate their usefulness. • Conferences/seminars on good practice M&E systems in particular ministries, in other countries, and so forth—demonstrates what M&E systems can produce. • A network of officials working on M&E—helps showcase good practice examples of M&E in ministries, demonstrates their feasibility, and helps encourage quality standards.

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Table 11.1: Incentives for M&E—Carrots, Sticks, and Sermons (continued)

Carrots	Sticks	Sermons
<ul style="list-style-type: none"> • Performance contracts or performance pay for civil servants—that is, direct reward for performance. For example, new senior civil servants in Ceará (Brazil) receive up to 40 percent of their remuneration in the form of performance bonuses, which are based on achievement of performance indicator targets. • Staff incentives—use M&E experience as one criterion for staff recruitment, promotion, and certification. • Assistance to program areas in conduct of M&E—via help desk advice, manuals and other resource materials, provision of free training, comments on ToRs, draft evaluation reports, and so forth. This makes it easier (reduces the cost) to do M&E and to use the findings. • Ensuring that data providers—at the facility level, for example—understand how their data are used and the importance of providing accurate and timely data. • Training for program managers and staff, budget analysts, to explain what M&E is and how to use it to improve ongoing work. • Identification and highlighting of good practice examples of evaluation planning, of M&E techniques, of evaluation reporting—provides models others can easily copy (a supreme audit institution, a central ministry such as finance or the president's office, and possibly internal audit, can play this role). • Systematic feedback from ministers to ministries on quality of policy advice for each policy brief sent to ministers. Provides praise for, and highlights, good quality advice—for example, Australia's department of employment. • A governmentwide network of officials working on M&E. This helps provide identity and support to evaluators (who often feel isolated within each ministry/entity)—for example, Australia, Canada, Niger. • Financial support and technical assistance for government M&E from multilateral and bilateral donors. 	<ul style="list-style-type: none"> • Involve civil society in M&E of government performance—results in pressures for better performance and accountability (Bangalore, Bogotá). • Use accountability mechanisms such as citizen report cards—publicize poor performance of government agencies. • Provide ministerial feedback on quality of policy advice—provides criticism of poor quality advice (for example, advice that does not have a sound evidentiary basis). • Institute performance contracts or performance pay—direct penalties for poor performance. 	<ul style="list-style-type: none"> • Support for government M&E from multilateral and bilateral donors in their loans to governments—highlights and endorses M&E.