

LEARNING BRIEF 6

WORKING WITH MOTIVATIONS
AND INCENTIVES

Guidance for Civil Society Organisations

ENTERPRISE IN
WASHWhat is this learning brief
and who is it for?

This learning brief is for civil society organisations (CSOs) active in supporting small-scale local enterprises that provide roles in water and sanitation services for the community including the poor and disadvantaged. Its purpose is to inform CSO approaches, strategies and their program designs. Therefore, the primary target audience is CSO *program planners and designers*, but will also be useful for a wide range of WASH practitioners.

This document is the sixth of a series of six learning briefs developed on the basis of the 'Enterprise in WASH' research initiative. These include:

- Learning brief 1: CSO roles
- Learning brief 2: Know your private sector
- Learning brief 3: Working with governments
- Learning brief 4: Driving equality
- Learning brief 5: Private and social enterprise business models
- **Learning brief 6: Working with motivations and incentives**

KEY POINTS FOR CSOs

- There are opportunities for CSOs working with governments, enterprises and communities to tap into, and influence, incentives that best support equitable and sustainable water and sanitation service delivery.
- Motivations and incentives need to be considered together. Getting to know the motivations at play in a given context requires understanding the political economy of that context, and can inform careful design of incentives.
- There are different types of motivations: individuals can be motivated by material but also non-material benefits such as status, solidary, purposive and personal development motivations.
- The presence of pro-social motivations amongst water and sanitation entrepreneurs provides opportunity to drive equality outcomes through these intrinsic motivations, and to support development of social enterprise models.

Why do motivations and incentives matter?

Motivations and incentives matter because they shape the behaviours and actions of enterprises, governments and community members in a range of ways. How people respond to incentives (external drivers) is influenced by their motivations (internal drivers) and the political economy dynamics of the context in which they operate.

Getting to know these dynamics can help CSOs to understand the risks and opportunities associated with various stakeholder motivations for supporting enterprise engagement in water and sanitation service delivery. Further, it can help CSOs identify opportunities to work with different stakeholders (government, enterprises and communities) to build incentives that support enterprise viability and facilitate equitable service delivery. For example, you may find that there are no incentives for enterprises to provide services, or for government to support such roles. Or you may find that existing incentives are ineffective and need to be redesigned to suit the intrinsic motivations and political economy that shape the actions and behaviours of the stakeholders.

Types of incentives

Incentives are instruments, mechanisms or processes that motivate people to behave or act in a certain way. These can be designed to encourage behaviour or actions which aim to achieve a particular goal or outcome.

To identify and understand how incentives work, it is useful to categorise them according to the ways in which they influence behaviour. Incentives are often associated with economic, financial and regulatory instruments. Commonly used in the fields of economics and industrial policy, these types of instruments are aimed at modifying the broad legal and market environment (see Box 1).

BOX 1

REGULATORY AND ECONOMIC INSTRUMENTS IN VIET NAM

Viet Nam has a range of regulatory and economic instruments aimed at encouraging private sector investment in water and sanitation. For example, the “Decision 131” issued by the prime minister provides a framework to incentivise eligible rural water and sanitation enterprises through access to land, soft loans and tax breaks.

However, there are also other ways that CSOs can influence behaviour beyond regulatory and financial incentives, including through capacity building (information and education incentives), and engagement and empowerment (engagement incentives). A range of illustrative incentives is presented in Figure 1.

FIGURE 1: EXAMPLES OF DIFFERENT TYPES OF INCENTIVES¹

REGULATORY INCENTIVES (Influence behaviour through legality)	<ul style="list-style-type: none"> • Laws and regulations • Standards • Licenses • Quotas • Land/property rights • Legally-binding targets • Enforcement (e.g. warning letters, posting information about non compliance, and penalties for non compliance) 		DEGREE OF REQUIRED GOVERNMENT INTERVENTION
FINANCIAL INCENTIVES (Influence behaviour through price or cost)	<ul style="list-style-type: none"> • Taxes • Levies • Royalties • User fees/charges • Grants or loans • Discounts • Subsidies • Access to resources at a reduced cost • Bonuses • Performance based contracts • Insurance • Tradable permits 		
INFORMATION AND EDUCATION INCENTIVES (Influence behaviour through awareness and capacity building)	<ul style="list-style-type: none"> • Access to information • Awareness campaigns • Voluntary performance targets • Benchmarking • Certification/labelling (voluntary) • Transparency initiatives • Training 		
ENGAGEMENT INCENTIVES (Influence behaviour through engagement and/or empowerment)	<ul style="list-style-type: none"> • Participative design • Peer discussion/deliberation • Peer-to-peer pressure • Hands-on experience • Enjoyment, fun, food, games • Membership • Offer choices • Offer freedom/control of choice/decision • Social proof (e.g. expert or celebrity social proof) • Name and praise or name and shame • Commitment 		

Understanding these different types of incentives is also useful for clarifying for CSOs who needs to be engaged or influenced to implement the relevant incentives.

In the context of enterprise roles it is critical to work effectively with governments (see Learning brief 3: Working with governments). However, for different types of incentives, the type and level of government engagement required varies. For example, laws (regulatory incentives) and tax deductions (financial incentives) operate at the scale of the market and require CSOs to engage directly with and influence government to drive and implement them.

In contrast, CSOs can implement grants and loans (financial instruments), provide training (information incentives) and use name and praise approaches (engagement incentives) at a smaller scale (within projects and programs), without requiring government leadership or direct intervention. In such cases, the approach to engaging with government may be more consultative and informative to ensure alignment with existing government approaches and policies.

Types of motivations

Motivations are the reasons behind an individual's choices and they influence the extent of an individual's willingness to support or work towards a certain goal. Motivations are shaped by a number of factors including the individual's personality, their values and belief systems, as well the cultural and sociological context in which they live (see Box 2).

There are different types of motivations. Individuals across government organisations, enterprises and communities can be motivated by material or tangible rewards (e.g. increases in salary and bonuses) but also non-material benefits³ (see Box 3). Figure 2 illustrates some of the different types of non-material motivations. The field of behaviour change communication (BCC) also engages with human motivations, and covers a related, though slightly different, set of motivations.⁴

Understanding these different types of motivations can help CSOs recognise what motivations may be relevant in a given context, which ones remain untapped and could be tapped through new incentives, and whether there is any misalignment between existing incentives and the motivations of the stakeholders whom they target.

Associations of entrepreneurs can be a vehicle for implementing a range of financial, information and engagement incentives for entrepreneurs that tap into a combination of different types of motivations, and that help support business success (see Box 3). These include, for example, peer-to-peer learning and capacity building opportunities that tap into personal development motivations, and opportunities for networking and socialising that tap into solidary and affiliation motivations.

BOX 2

HISTORY AND CULTURE INFLUENCE PERCEPTIONS AND MOTIVATIONS²

Timor-Leste is a post-conflict state where private sector involvement is still in its early stages, and there is a legacy of civil service and donor-driven employment. This lack of exposure to a market driven culture influences people's negative perceptions about businesses and tends to create a reticence to engage in such activities. This can be unfavourable for potential water and sanitation enterprises: *"NGO is good. Business is bad ... everyone is employed by NGOs. People aspire to form an NGO, not a business"* (community member). In contexts like this, CSOs who have developed good trust relationships can play a role in building communities' trust in water or sanitation enterprises by endorsing them and raising awareness of their importance. The ways in which they do so can include working with government to ensure enterprises offer products and services of a certain standard, for example through accreditation schemes.

BOX 3

ASSOCIATION MEMBERSHIP AS AN IMPORTANT CONTRIBUTOR TO BUSINESS SUCCESS⁶

'Enterprise in WASH' research found that in Indonesia, associations of sanitation entrepreneurs were important contributors to business success. Most of the entrepreneurs that were members of sector-related associations were successful and reported their involvement in the association to be a positive experience (64%, n=42). In addition to providing peer-to-peer learning, capacity building, networking and socialising, these associations also promoted fair competition, and offered access to information, cheaper materials, credit, and advocacy power for common issues shared by the association members.

FIGURE 2: TYPES OF NON-MATERIAL MOTIVATIONS⁵

Status motivations

- Prestige
- Respect
- Recognition and appreciation
- Pride and honour

Purposive motivations

- Sense of purpose
- Sense of duty and responsibility
- Autonomy
- Pro-social motivations driven by a sense of empathy for the poor, a sense of social responsibility and/or religious beliefs

Solidary and affiliation motivations

- Camraderie
- Sense of group mission
- Sociability
- Need for affiliation

Personal development/growth motivations

- Mastery
- Career development
- Learning
- Need for achievement
- Need for independence

Addressing incentives and motivations together

Incentives and motivations need to be considered together when CSOs design strategies to influence how enterprises, communities and governments act to support water and sanitation service delivery. For example, if a desired behaviour is not sensitive to legal threat or monetary gains, then incentives other than regulatory and financial instruments will need to be considered. Recognising the motivations at play and matching them to incentives may also reduce the need for financial incentives.⁷

Often, there is more than one motivation at play (even within individuals), and a combination of incentives may be required. Drawing on a combination of incentives can also strengthen the likelihood of them having an impact. Figure 3 illustrates how incentives and motivations work together.

Think beyond the WASH sector. For example government and non-government agencies with a role in fostering for private sector development (e.g. chambers of commerce).

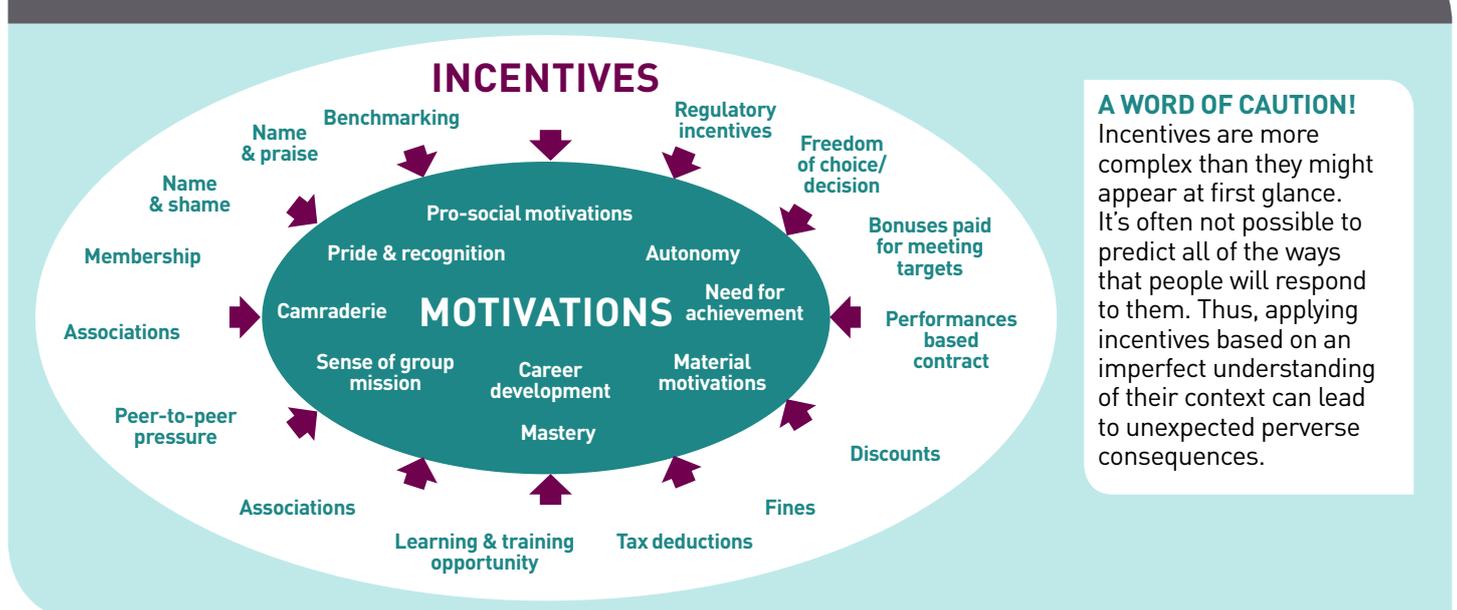
Incentives to strengthen local government focus on enterprise roles

'Enterprise in WASH' research revealed variations in local government interest in supporting enterprise development. Some of the ways in which CSOs can encourage a strengthened local government focus on enterprise development through considering motivations and related incentives together are:

- **Linking sanitation-related targets to enterprise support:** Many local government actors are responsible for increasing water and sanitation service coverage in their localities. CSOs can emphasise to local government that supporting enterprises will directly contribute to increased coverage.
- **Tapping into status motivations:** Beyond meeting targets, rewards can be offered to local government in recognition of innovative practices in enterprise engagement.

- **Tapping into material or financial interests:** In some contexts local government actors play roles as sales agents paid on commission, or they have their own small-scale enterprises as second jobs. Encouraging local government employees to take on these complementary roles can provide them with an extra incentive to develop their enterprise business since they are also responsible for increasing water and sanitation coverage. However, this strategy may also be controversial and may need to be carefully considered given the potential for conflicts of interest and/or corruption.
- **Tapping into personal and skills development motivations:** Local government staff can be motivated by a desire to learn and to extend their skills. Hence, incentives that appeal to this motivation can be designed by emphasising this aspect of CSO engagement with local government, and by potentially formally recognising the acquisition of new skills, for instance through certificates awarded by superiors.
- **Tapping into purposive motivations of local government agencies other than sanitation-related line agencies:** CSOs can collaborate with local government agencies which have a mandate to support private enterprises. This may appeal to local government staff who are looking to excel in their own domains (and can be rewarded for doing so by higher levels of government).

FIGURE 3: CONCEPTUAL DIAGRAM OF HOW INCENTIVES AND MOTIVATIONS WORK TOGETHER



A WORD OF CAUTION!
Incentives are more complex than they might appear at first glance. It's often not possible to predict all of the ways that people will respond to them. Thus, applying incentives based on an imperfect understanding of their context can lead to unexpected perverse consequences.

Understanding the political economy and motivations and incentives within this

For CSOs to get to know the motivations at play in a given context, and to think through what incentives might best drive sustainable and equitable service delivery, they need to understand the political economy of a that context (see Box 4). The political economy includes formal and informal norms, the institutions and values, power and wealth distribution, and the processes that create, sustain and transform these dynamics over time.⁸ The questions in Table 1 provide a starting point for thinking through these dynamics.

TABLE 1: QUESTIONS TO THINK THROUGH THE DYNAMICS OF HOW POLITICAL ECONOMY INFLUENCES ENTERPRISES IN WASH

Understanding the stakeholders and their relationships	<ul style="list-style-type: none"> - Who are the stakeholder organisations and institutions that currently influence, or have the potential to influence, enterprise roles in water and sanitation service delivery? Who holds decision-making power?
Understanding the political economy	<ul style="list-style-type: none"> - How do historical legacies shape the behaviour of these stakeholders and their relationships? - How do formal and informal social norms and hierarchies shape the behaviour of these stakeholders and their relationships? - How do power dynamics and hierarchies shape the behaviour of these stakeholders and their relationships? - How do internal organisational hierarchies and structures shape the behaviour of individuals within these organisations or institutions? How are individuals' success and performance measured and how does this shape their behaviour and actions? - Are there incentives already in place aimed at supporting enterprise roles in water and sanitation service delivery? How do these shape the behaviour of the stakeholders and their relationships? How effective are these incentives? Are there any incentives producing conflicting or undesirable outcomes?
Understanding motivations	<ul style="list-style-type: none"> - What are the typical motivations of the individuals within the stakeholder organisations or institutions? - What does an understanding of the political economy tell us about the motivations that may be at play? - What motivations could be tapped to contribute to the strengthening of enterprise roles? - What motivations could be tapped to contribute to the strengthening of equitable outcomes from enterprise roles? - What incentives can we work with that tap into these motivations? - Who needs to be engaged to enact these incentives?

BOX 4

POLITICAL ECONOMY DIMENSIONS INFLUENCING INCENTIVES AND MOTIVATIONS WITHIN LOCAL GOVERNMENT AGENCIES IN INDONESIA⁹

Most countries have local government agencies responsible for private sector or enterprise development. However they are unlikely to automatically be involved in the WASH sector. 'Enterprise in WASH' found that it was important to understand how to encourage these agencies to support water and sanitation enterprises. In Indonesia, the Department of Small-Medium Enterprises is generally not involved in supporting water and sanitation enterprises. In one location, we found the Department focused only on businesses that achieved tangible outcomes (e.g. in food, construction and crafts). Moreover, it appeared that poor accountability of budget allocation mechanisms may have facilitated patronage relationships, and discouraged the Department from involving itself in sanitation, which does not offer high profits. In this location a local government inter-agency water and sanitation working group encouraged its members to support water and sanitation businesses but the core WASH-related agencies

in this group (for example health, planning, environment) did not have the authority to require, or the capacity to persuade, agencies to provide such support.

However in 2014 in the district of Manggarai Timur, the Department of Industry, Trade, Cooperatives and SMEs funded the training of sanitation entrepreneurs (Manggarai Timur District Government 2015). This was in part a result of Plan International Indonesia's efforts to raise awareness of the national strategy for CLTS (community-based total sanitation – STBM). The strong leadership of Plan was noted by one local government stakeholder: *'Before Plan came sanitation wasn't really a priority ... we needed Plan to come to realise the importance of it.'* This example highlights the role CSOs can play in improving coordination between relevant government agencies, and in increasing the attention given to water and sanitation by government agencies beyond the WASH sector.

Designing incentives to support equitable service delivery

There are opportunities for CSOs to tap into, and influence, incentives that support equitable outcomes in water and sanitation service delivery. These opportunities include:

- Working with government to provide incentives that support and facilitate equitable service delivery by private and social enterprises
- Tapping into the pro-social motivations of potential or existing entrepreneurs to encourage the development of social enterprises
- Encouraging for-profit enterprises to contribute to social outcomes by tapping into financial, status other types of motivations
- Working with or setting up associations of entrepreneurs that provide incentives to support private and social enterprise viability, and facilitate enterprise viability and equitable service delivery.

Incentives to support the development of social enterprises

Social enterprises are motivated by the desire to achieve pro-social outcomes and thus they have the potential to address the needs of communities whom the market and/or the state fail to serve. The presence of pro-social motivations amongst potential water and sanitation entrepreneurs provides opportunities to set up social enterprises (see Learning brief 5: Private and social enterprise business models) and promote equality (see Learning brief 4: Driving equality) in water and sanitation services. Identifying potential social entrepreneurs requires CSOs to look beyond typical private sector actors and consider whether other types of organisations, such as community base organisations (CBOs) that are motivated by

pro-social goals, could become water or sanitation social enterprises. However, tapping into pro-social motivations may not be sufficient to encourage the formation of such enterprises and outcomes. Other types of incentives may need to be in place. These include appropriate legal structures and policy settings that support both organisational sustainability and equitable service outcomes. It is necessary to ensure that these legal entities are recognised and not excluded from tendering processes to access grants, loans or philanthropic funding. Incentives for these enterprises may also include financial support to ensure they produce equitable outcomes in times when the costs of addressing their social mission exceeds the revenue they earn from trade (see Box 5).

BOX 5

REGULATORY INCENTIVES FOR WATER AND SANITATION SOCIAL ENTERPRISES IN VIET NAM

In Viet Nam the 2014 Enterprise Law enables enterprises to register as social enterprises and states that the government “shall adopt policies to encourage, support and promote the development of social enterprises.” According to this law social enterprises must operate “for the purpose of solving social and environmental issues in the interest of the community” and they must reinvest 51% of their annual profits into achieving their registered social and environmental objectives. Such enterprises are allowed to “mobilise and receive financial assistance in various forms from Vietnamese and foreign individuals, enterprises, non-governmental organisations and other organisations to cover their management expenses and operation expenses”. Further, “owners and managers of social enterprises shall be considered, provided with favourable conditions and supported in the grant of related licenses and certificates in accordance with law”.¹⁰

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