

# Promoting Compliance, Rule of Law and Anti-Corruption using Behavioral Science and Nudge

Nudge Lebanon

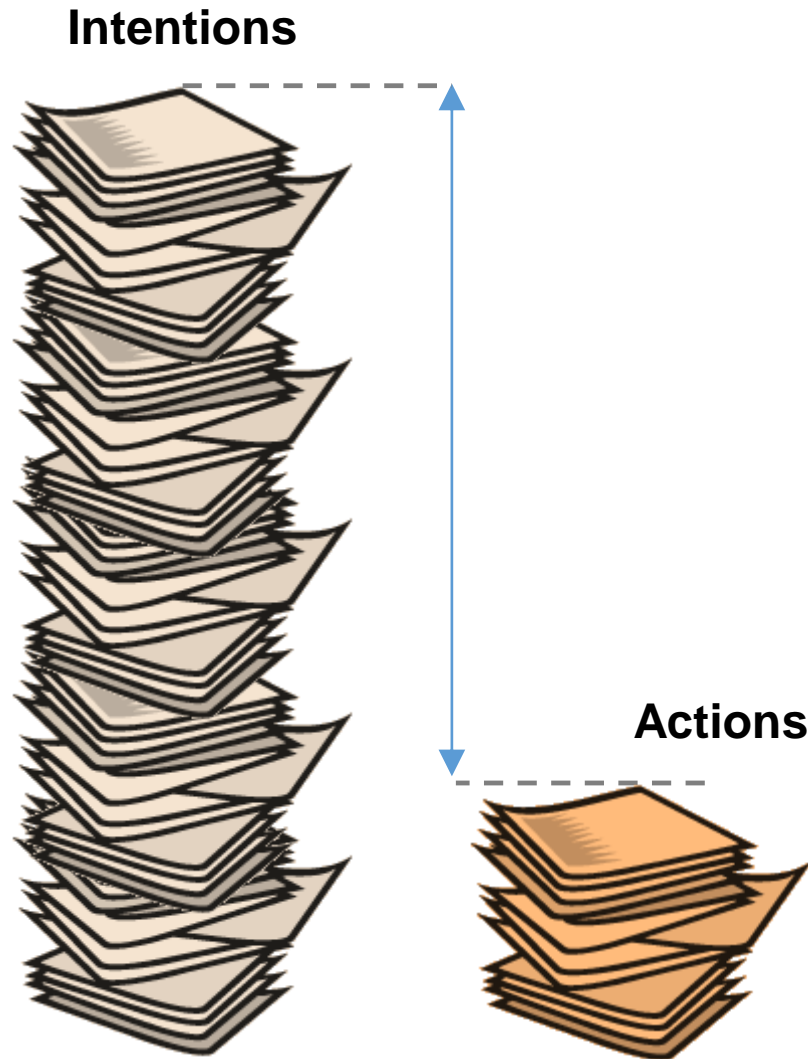
March 3<sup>rd</sup> 2020

# The purpose of today's presentation

- 1 Introduce the concept of “nudges” and behavioral insights
- 2 Share examples of applying behavioral insights to promote compliance, rule of law and anti-corruption worldwide
- 3 Discuss how to integrate behavioral insights into your anti-corruption strategies and methods

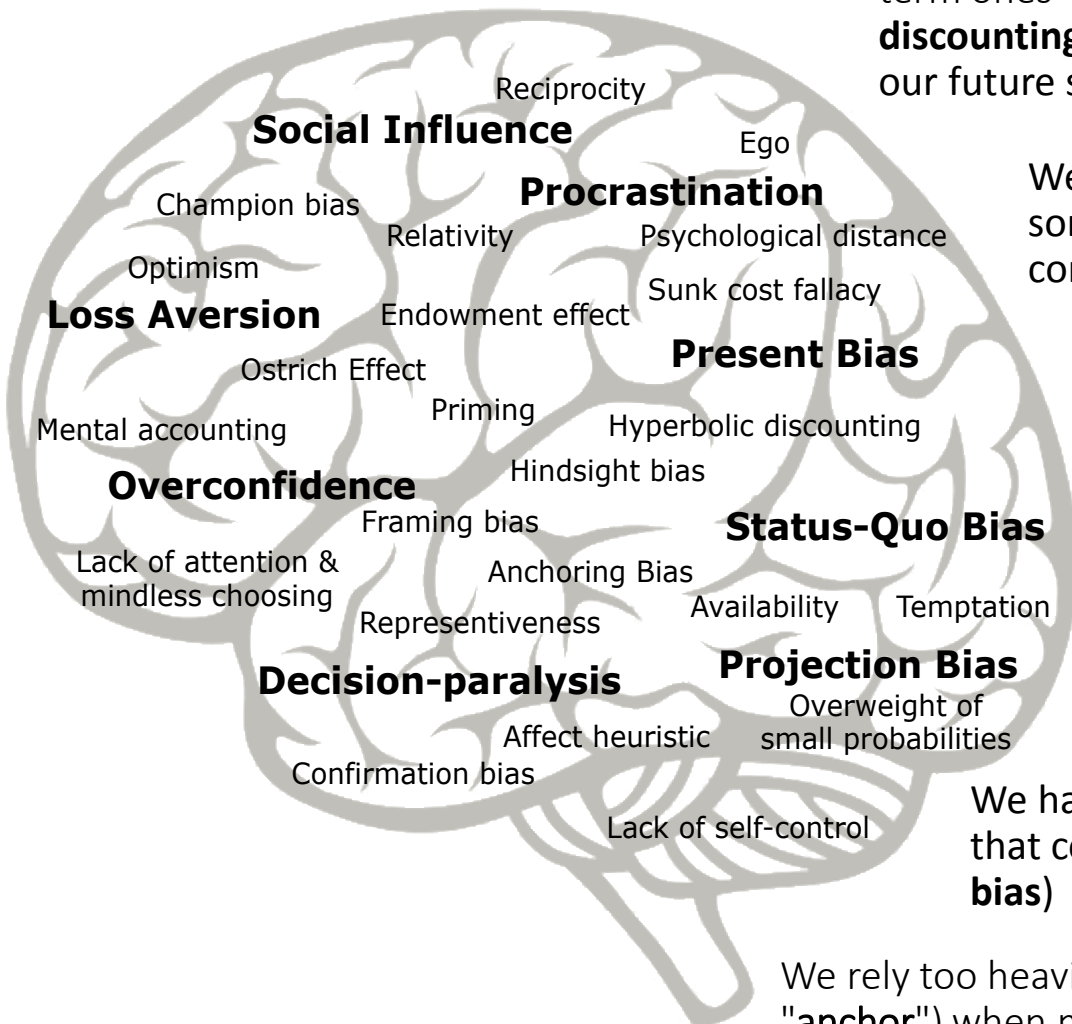
# There is a wide gap between what we intend to do and what we actually end up doing ... *Intention-Action Gap*

- Exercising more
- Sticking to a diet
- Recycling your waste
- Saving for retirement
- Spending less time on Instagram
- Cleaning up the closet
- Quitting smoking
- Being more punctual
- Reading more books
- Learning a new language
- Starting a new hobby
- Going for health checkups regularly
- Backing up your computer
- Getting an insurance
- Etc.



# We have biases that affect our decision making abilities and the extent to which we act in our own best interests ...

## NON-EXHAUSTIVE



We overvalue immediate rewards at the expense of long-term ones –we have **Present bias and do hyperbolic discounting of the future**. We make decisions today that our future self would not have made!

We have a tendency to assess probability of some event by the ease with which such event comes to mind (**availability bias**)

The pain experienced from losses is twice as much as the pleasure experienced from equivalent gains – we have **loss aversion**

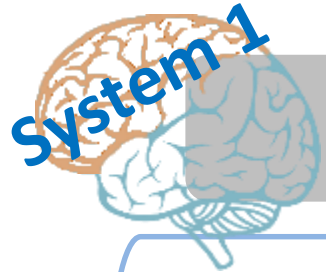
We prefer to keeping things the way they are (**status quo bias**)

We overestimate our own abilities relative to others and are **overconfident**

We have a tendency to search for information that confirms our existing beliefs (**Confirmation bias**)

We rely too heavily on the first value offered (the "anchor") when making a judgment

# Nobel Prize Winner Daniel Kahneman: Two Systems in Judgement and Decision-Making



*System 1*  
*Fast*



Automatic



Unconscious



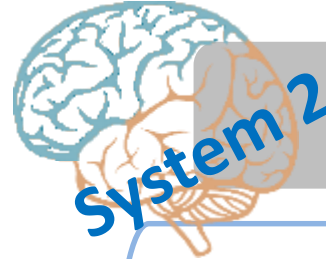
Emotional



Daily Decisions



**Prone to Error**



*System 2*  
*Slow*



Deliberative



Complex Decision



Conscious



Effortful



Reliable



**Lazy Controller**

# Behavioral economics is becoming mainstream economics

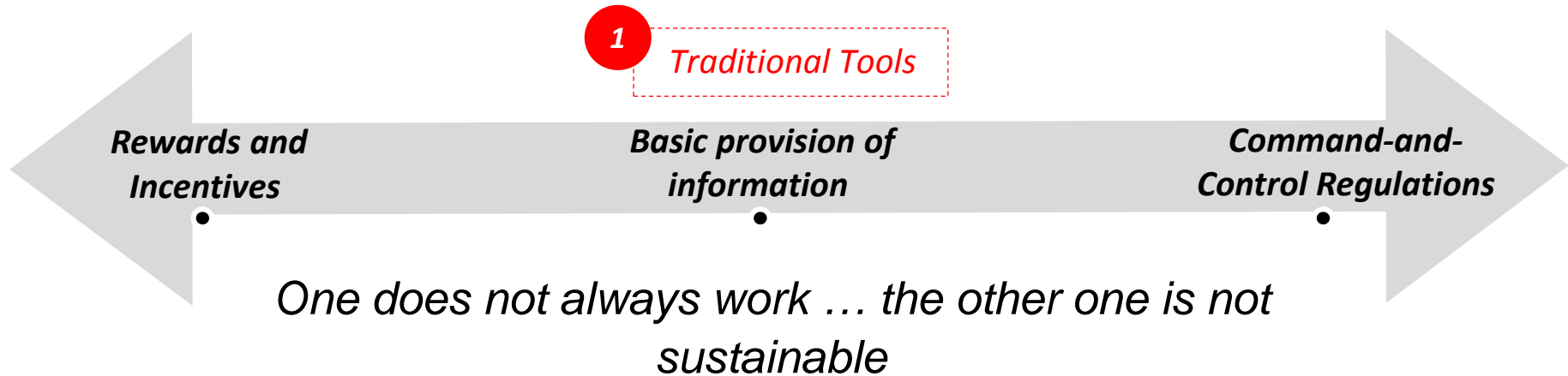
## Conventional Economics

- For decades, classical economics assumed people's decisions and behaviors are based on deliberative thinking of system 2, and that people are infinitely rational – or 'Econs'
- When a given a set of facts, Econs process everything to make the most optimal decision
- Most policies are designed with rational people (Econs) in mind, whereas majority are humans and have biases ...
- The fact that the very fundamentals of economics are based on wrong assumptions puts in question the current models for policy making

## Behavioral Economics

- BE which is a discipline of economics that applies psychological insights into human behavior to explain decisions
- It rejects the overly simplistic and sometimes naive assumptions of classical economics about human behavior, and proposes more realistic model on how people actually behave
- In particular, BE takes into consideration that people are imperfect and are prone to making mistakes
- ***The golden standard for BE is experimentation and Randomized Controlled Trials (RCTs) ...***

# Nudge and BIs are complementary tools to traditional policy levers typically used to create behavioral change



*“any aspect of choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives”*

R. Thaler & C. Sunstein



It seeks to counter biases and mental shortcuts that are generally the result of an automatic, fast and unconscious “System 1” in the human mind

# So the key characteristics of “nudge” are Four

## Key Characteristics of Nudge

- 1 *Small, architecture types of intervention: e.g., default rules, use of messenger, priming, reminders, feedback, salience*
- 2 *That steer people in the right direction, in a predictable way*
- 3 *They are cost effective, that is, it does not significantly alter the financial incentive structure: a subsidy is therefore not a nudge*
- 4 *They are choice preserving, they do not take away other options*

**It seeks to counter biases and mental shortcuts that are generally the result of an automatic, fast and unconscious “System 1” in the human mind**



# The rise of nudge and behavioral insights application to public policies has been phenomenal, driven by 3 factors

## 1 State Limitations

- Limited enforcement power
- Austerity measures

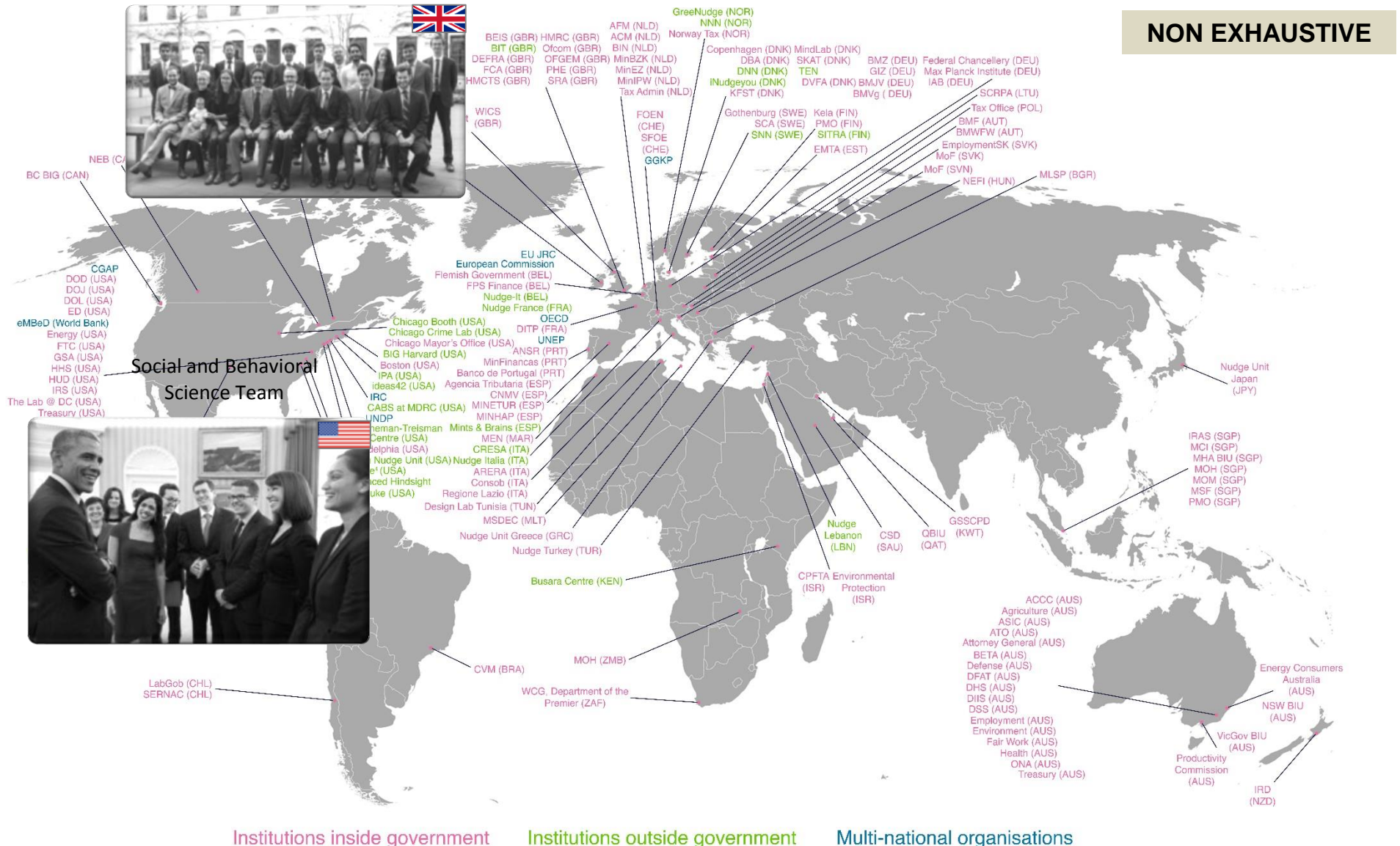
## 2 Intellectual Capital on Behavioral Economics

- Writings of well-known behavioral scientists such as Thaler, Sunstein, Kahneman ... even older economists
- Recognition through Nobel Prizes

## 3 Rise of Nudge Units

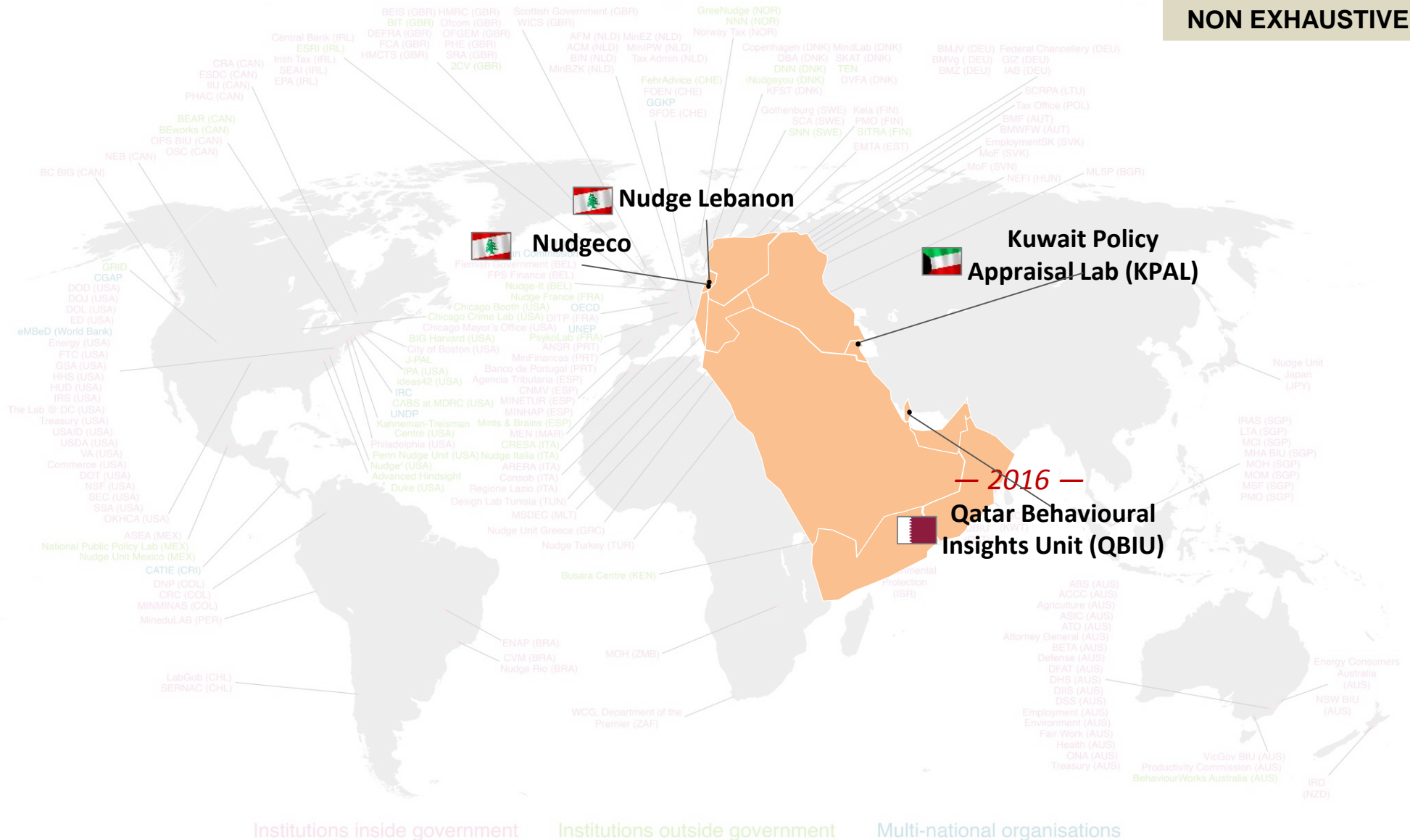
- First nudge unit in the UK
- Several countries followed
- In the Middle East, this has started to happen

# Nudging gained popularity thanks to the establishment of nudge units worldwide particularly within government

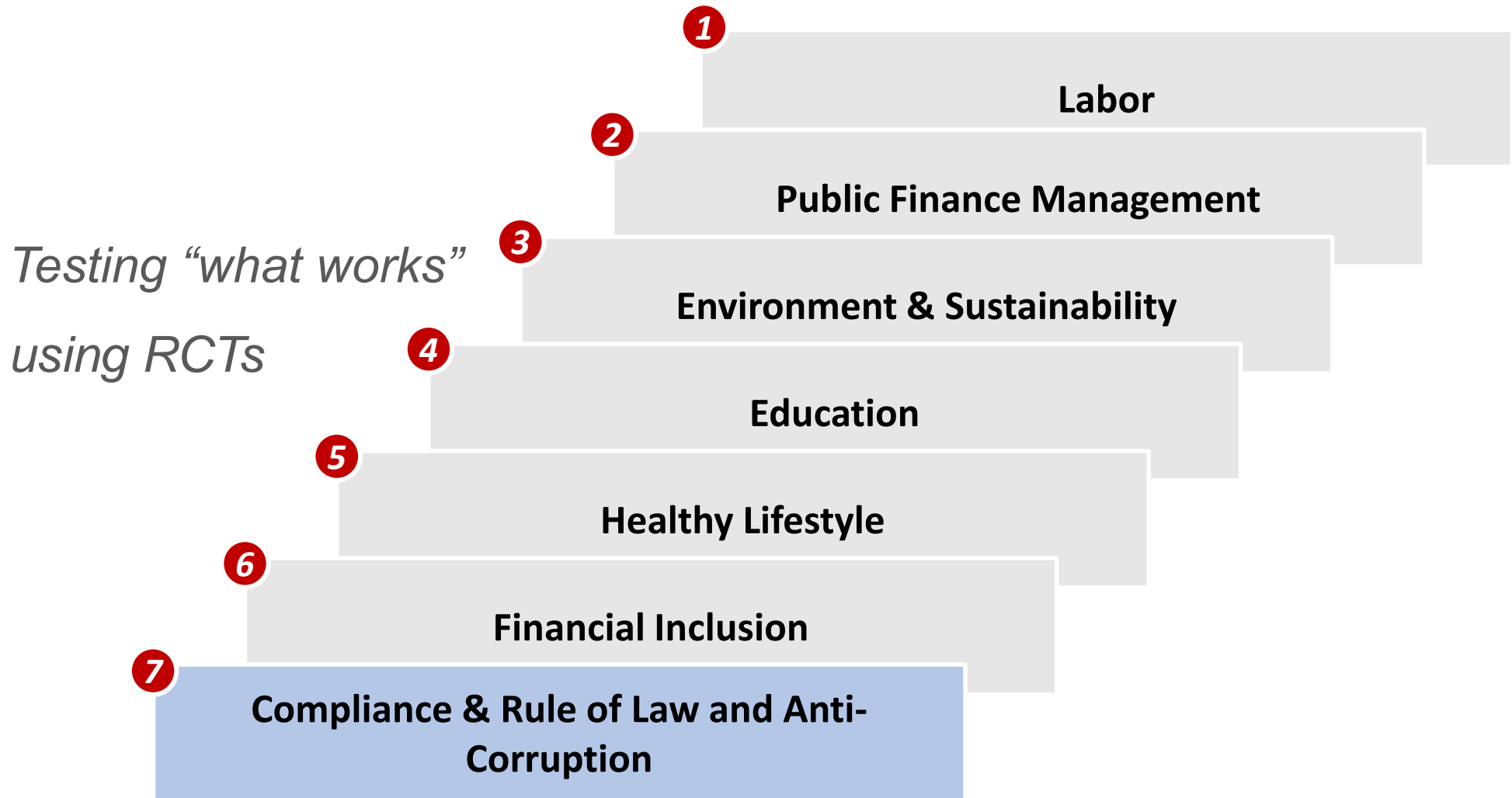


# In the Middle East, Qatar, Lebanon and Kuwait are leading the way ... with many others to follow

NON EXHAUSTIVE



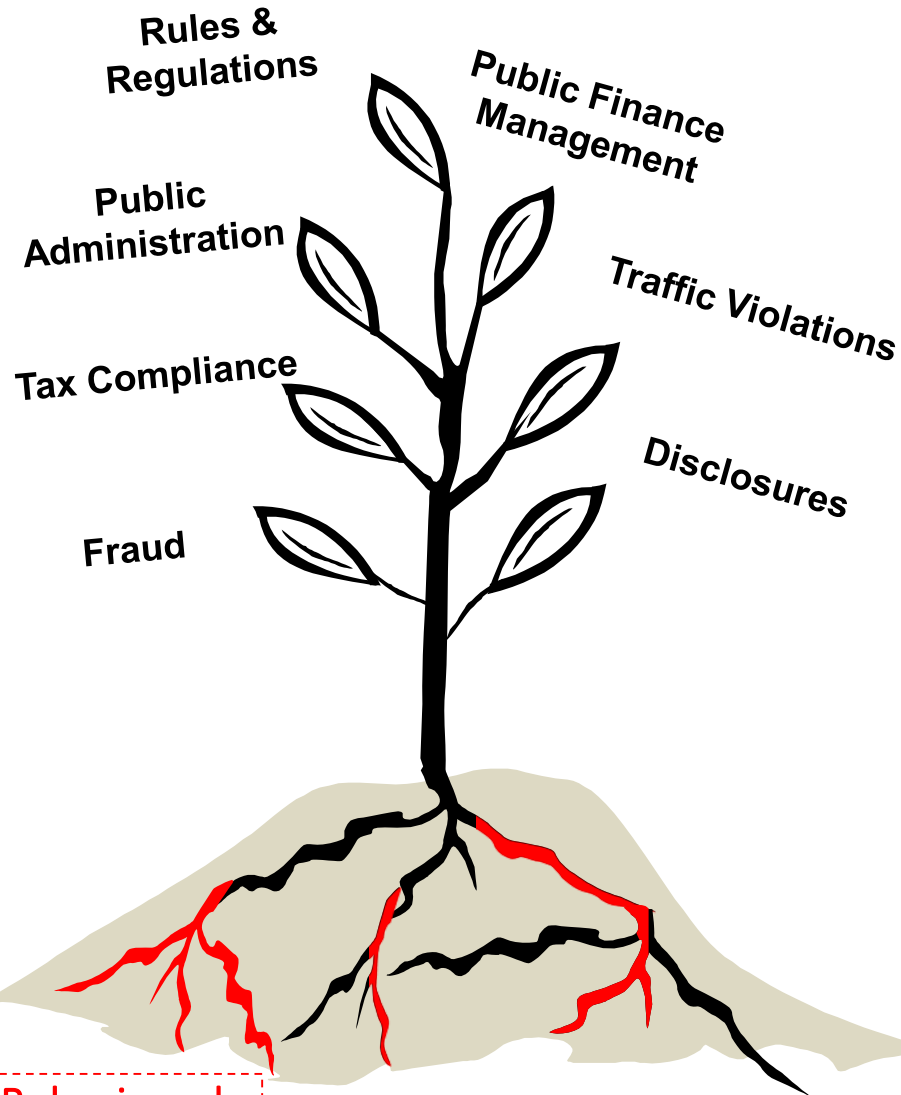
Nudging and Bls have been tested in a variety of public policy areas



... And many others

# Corruption & non-compliance have behavioral roots

ILLUSTRATIVE



It's important to distinguish between structural and behavioral challenges:



Integrating **human behavior** insights



Using **experimentation** to know what works

Behavioural  
Roots

Structural  
Roots

# SHAPE DIFFERENCE framework developed by Nudge Lebanon to tackle challenges with behavioral roots

S	SALIENCE	Drawing people's attention to stimuli that are novel, accessible, attractive and simple
H	HASSLE FACTOR	Modifying a feature to the environment that makes a behavior easier or harder to accomplish
A	ACTIVE CHOICE	Requiring individuals to affirmatively choose between options and make implicit choice
P	PRIMING	Exposing people to certain stimuli, words, sensations or sights to steer them towards specific behavior
E	EMOTIONS	Provoking affective reactions that are automatic and unconscious to influence people's decisions
D	DEFAULT	Providing default option that will come into force if no other active choice is made
I	INCENTIVE	Designing cost-effective incentive schemes as people tend to avoid losses rather than seek gains
F	FRAMING	Changing the way information is framed in order to affect people's behavior and perception
F	FEEDBACK	Giving clear feedback information on how people behaved in certain circumstances
E	EGO	Using cues and words that support a consistent and positive self-image
R	REMINDER	Providing cues to push people to perform certain action
E	<i>Effect of</i> MESSENGER	Selecting who communicates the information to influence the automatic reaction of people
N	<i>NORM</i>	Providing descriptive, factually accurate information about how peers behave in a similar situation
C	<i>COMMITMENT</i>	Using commitment to increase intangible cost of failure to act according to one's public commitments
E	<i>EQUIVALENT reciprocity</i>	Responding to others' positive actions with an equivalent one



# SHAPE DIFFERENCE framework developed by Nudge Lebanon to tackle challenges with behavioral roots

## Cognitive Biases

S	SALIENCE	Limited attention - People can only focus on a limited number of things at a time
H	HASSLE FACTOR	Lack of self-control – People have hard time deciding between what’s good for themselves in the future
A	ACTIVE CHOICE	Status Quo Bias - People have a more general tendency to stick with their current situation
P	PRIMING	Decision paralysis – When give too many options, people tend to make the most easiest option
E	EMOTIONS	Loss Aversion - People try to prevent losses more than they try to make gains
D	DEFAULT	Procrastination - People generally do not manage their time well and constantly wait until the last possible moment to do anything
I	INCENTIVE	Intention – action gap - People don’t actually do what they intend to do
F	FRAMING	Loss framing; Hyperbolic Discounting - People put an overly high value on the here and now and an overly low value on the future
F	FEEDBACK	Status Quo Bias - People have a more general tendency to stick with their current situation
E	EGO	Herding - People tend to do what others are doing
R	REMINDER	Procrastination - People generally do not manage their time well and constantly wait until the last possible moment to do anything
E	<i>Effect of MESSENGER</i>	Decision paralysis – When give too many options, people tend to make the most easiest option
N	<i>NORM</i>	Status Quo Bias - People have a more general tendency to stick with their current situation
C	<i>COMMITMENT</i>	Intention – action gap - People don’t actually do what they intend to do
E	<i>EQUIVALENT reciprocity</i>	Procrastination - People generally do not manage their time well and constantly wait until the last possible moment to do anything

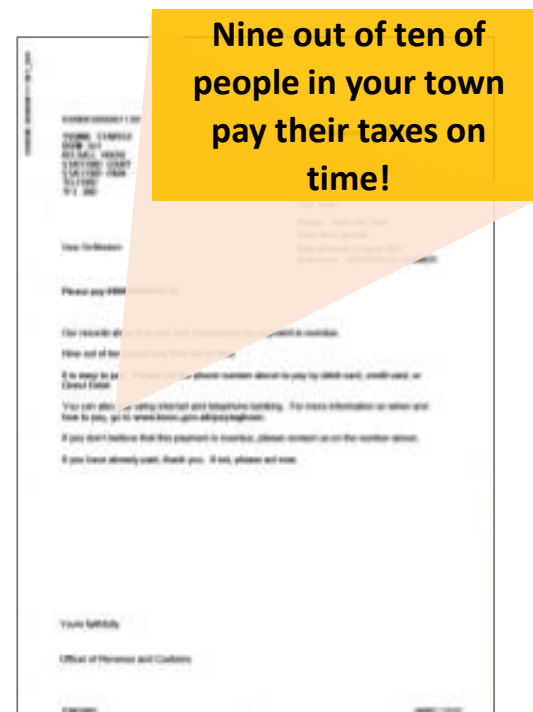
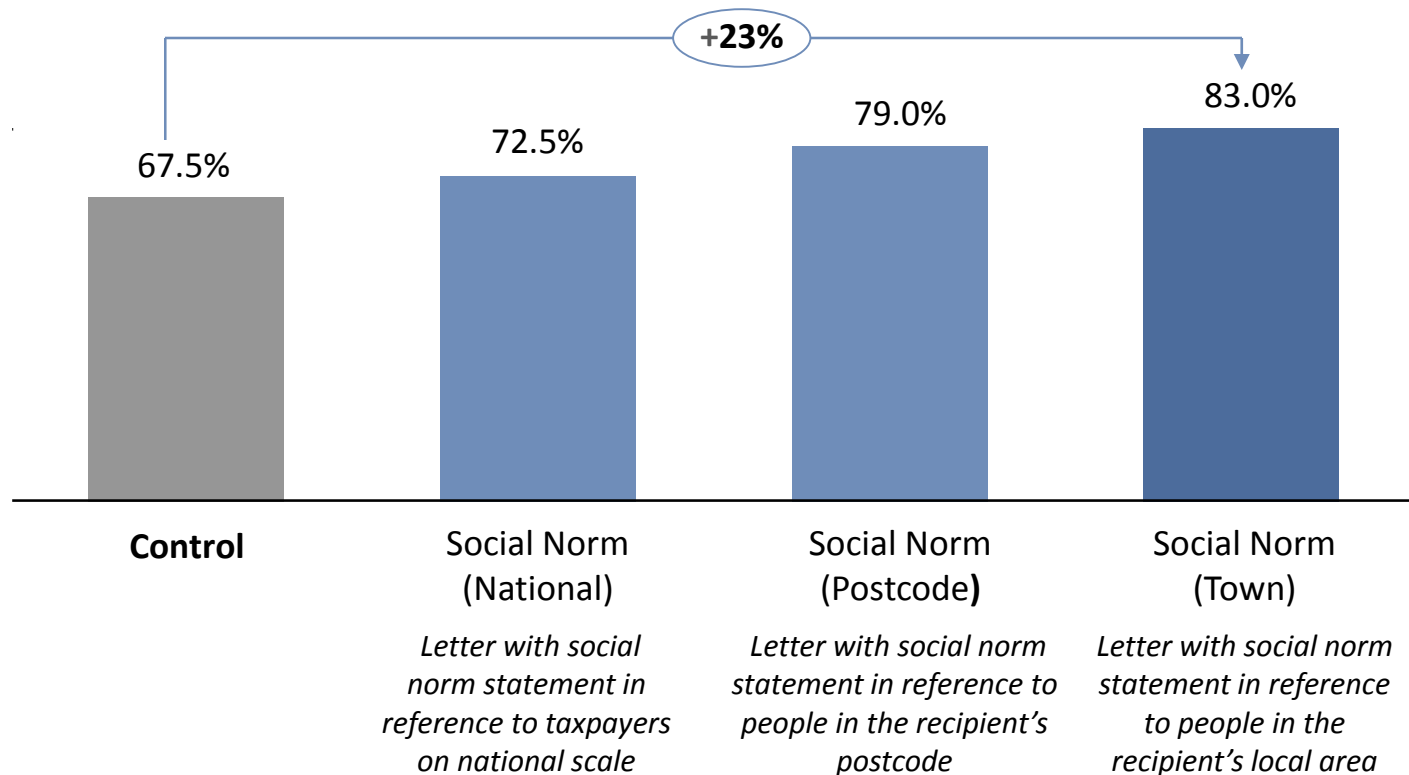
# Increasing tax payments using social norms



UK

BIT, in collaboration with HMRC Debt Management and Banking Team, increased tax debt payments by 23%, compared to the control group, by sending out letters that involve different variations of social norms (e.g. '9 out of 10 people in Britain pay their tax on time')

Percentage of Tax Debtors Paying Their Debt





# Increasing payment rate of electricity bills by the collectors' second visit



Lebanon

## Nudges

1

كهرباء لبنان مؤسسة عامة  
National Electrical Utility Company

Our collector has visited your location, on behalf of EDL, and was not able to collect your electricity bill. He will come back again on / /

Installation Nbr/ Branch Nbr \_\_\_\_\_

to collect the amount of LL. \_\_\_\_\_

إسم الجاني ورقم هاتفه \_\_\_\_\_

وفي حال عدم تسديد الفاتورة الجاني، نرجو من محترميكم الحضور في مكتبنا لتسديد الفاتورة خلال خمسة أيام من تاريخه وإلا سوف نضطر لسحب القطار الكهربائي عنكم.

للتسديد بإمكانكم الاتصال بمكاتبنا على الرقم التالي: 01/571671

Original Slip  
(Control)

2

كهرباء لبنان مؤسسة عامة  
National Electrical Utility Company

وَقُرْ عَلَى حَالِكِ الْمَصَارِي وَالْمَشَاوِر ... وادفع على باب بيتك

1. في حال عدم تسديد المبلغ المتوجب بحلول الزيارة الثانية للجاني، يتوجب عليك الذهاب شخصياً إلى مكتب مؤسسة كهرباء لبنان - دائرة صيدا.

2. قد يتم فرض غرامة إضافية بقيمة 6 آلاف ليرة على المبلغ المتوجب أو قد يتم قطع التيار الكهربائي.

3. نودا العمل في مكتب مؤسسة كهرباء لبنان - دائرة صيدا من الاثنين إلى السبت، من الساعة 7:15 صباحاً إلى الساعة 1:30 ظهراً فقط.

توجه جاني الشركة لخدمة العملاء الكهربائية عن مؤسسة لبنان في منزلكم ولم يتمكن من قبض فاتورة الكهرباء. سيجبر للمرة الثانية في تاريخ / /

Installation Nbr/ Branch Nbr \_\_\_\_\_

to collect the amount of LL. \_\_\_\_\_

إسم الجاني ورقم هاتفه \_\_\_\_\_

للتسديد بإمكانكم الاتصال بمكاتبنا على الرقم التالي: 01/571671

Hassle Factor

3

كهرباء لبنان مؤسسة عامة  
National Electrical Utility Company

عزيزي المشترك

✓ أكثر من 90% من سكان منطقتك يدفعون المبلغ المستحق في الوقت المحدد ... هل ستكون جزءاً من هذه المجموعة؟

Our collector has visited your location, on behalf of EDL, and was not able to collect your electricity bill. He will come back again on / /

Installation Nbr/ Branch Nbr \_\_\_\_\_

to collect the amount of LL. \_\_\_\_\_

إسم الجاني ورقم هاتفه \_\_\_\_\_

للتسديد بإمكانكم الاتصال بمكاتبنا على الرقم التالي: 01/571671

Social Norms

4

كهرباء لبنان مؤسسة عامة  
National Electrical Utility Company

عزيزي المواطن،

وطبقاً بحاجة البلد، كن مواظباً صالِحاً وادفع المبلغ المستحق عن استخدامك للكهرباء في الوقت المحدد.

توجه جاني الشركة لخدمة العملاء الكهربائية عن مؤسسة لبنان في منزلكم ولم يتمكن من قبض فاتورة الكهرباء. سيجبر للمرة الثانية في تاريخ / /

Installation Nbr/ Branch Nbr \_\_\_\_\_

to collect the amount of LL. \_\_\_\_\_

إسم الجاني ورقم هاتفه \_\_\_\_\_

للتسديد بإمكانكم الاتصال بمكاتبنا على الرقم التالي: 01/571671

National Pride

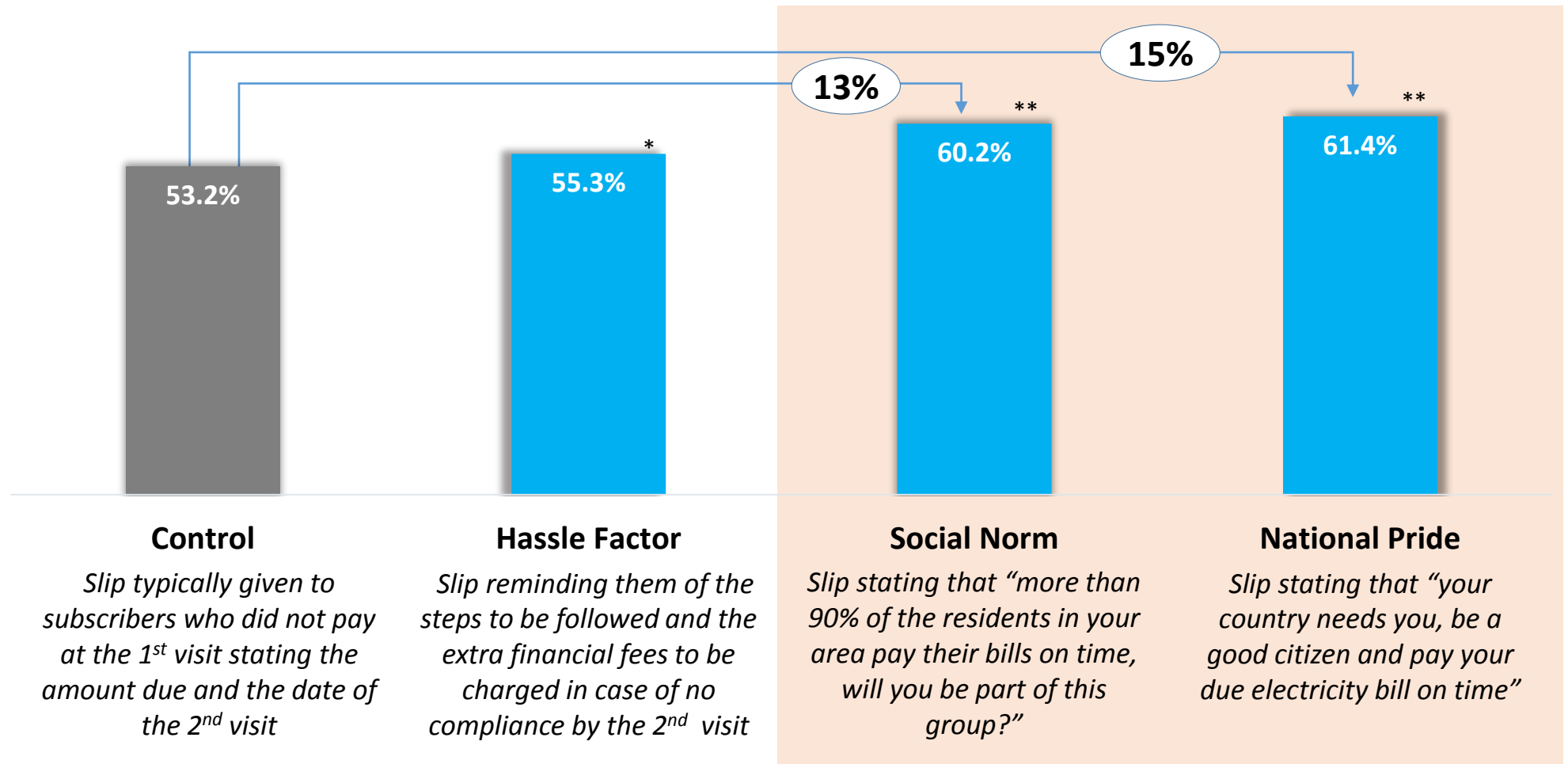
# All treatments outperformed the control slip, with the 'National Pride' slip being most effective



Lebanon

## Total Response to Reminder Slips by the 2<sup>nd</sup> Visit

(% of those who paid by the 2<sup>nd</sup> visit out of those who received the intervention)



\* Statistically insignificant, \*\* Statistically significant with  $p < 0.05$

Source: Nudge Lebanon Team Analysis

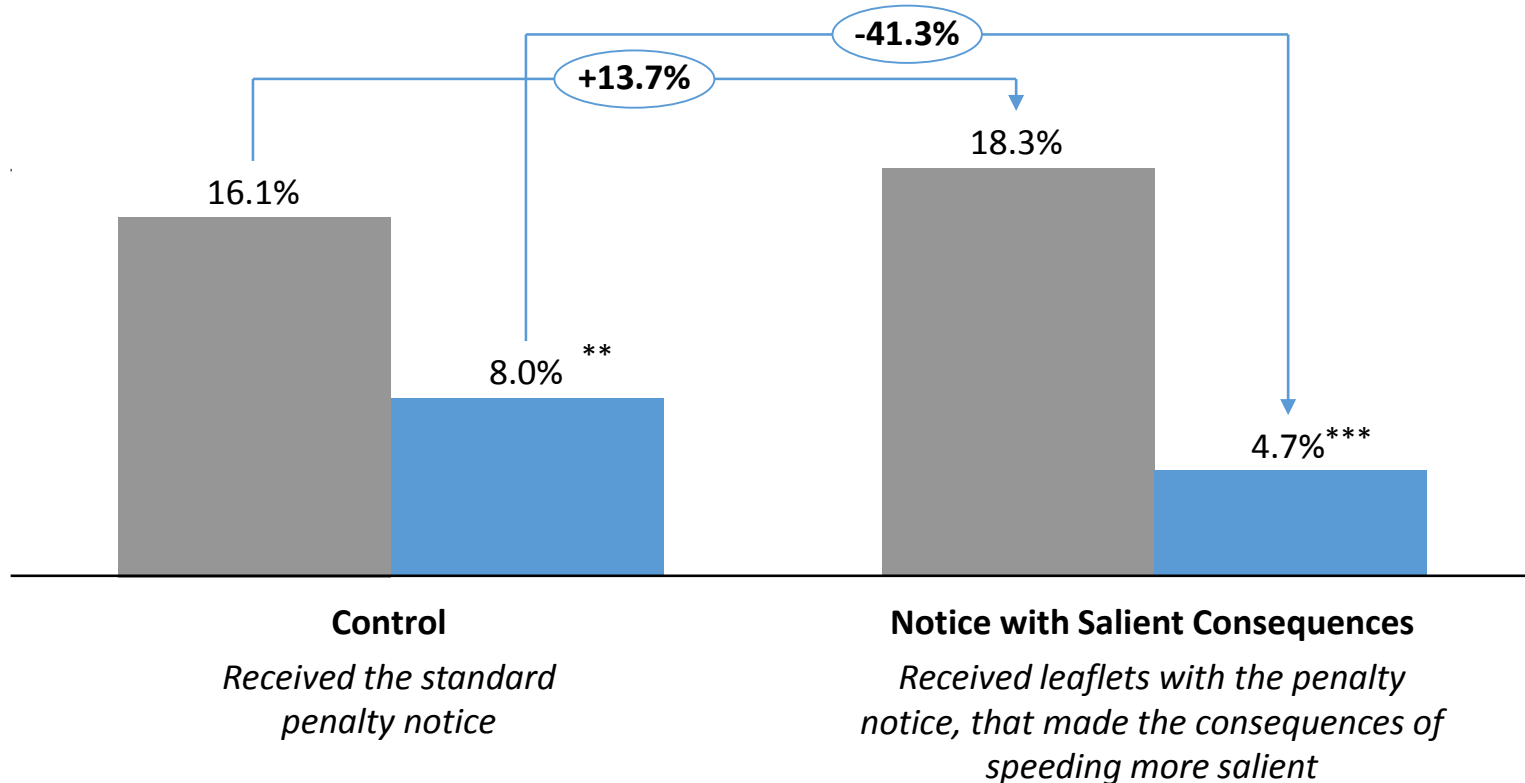
# Reducing likelihood of prosecution by clearly stating goals



UK

In 2015, BIT in collaboration with West Midlands Police and Dawes Trust increased the likelihood of paying road traffic penalties by 13.7% and decreased the likelihood of prosecution by 41.3% in comparison to control, through modifying the content of penalty notices and sending leaflets that make the consequences of speeding more salient

**Payment Rates and Prosecutions Following Receipt of Penalty Notices**



■ Payment Rate ■ Prosecutions Rate

\*\* p<0.05, \*\*\* p<0.01

Source: BIT Update Report 2015-16, Team Analysis

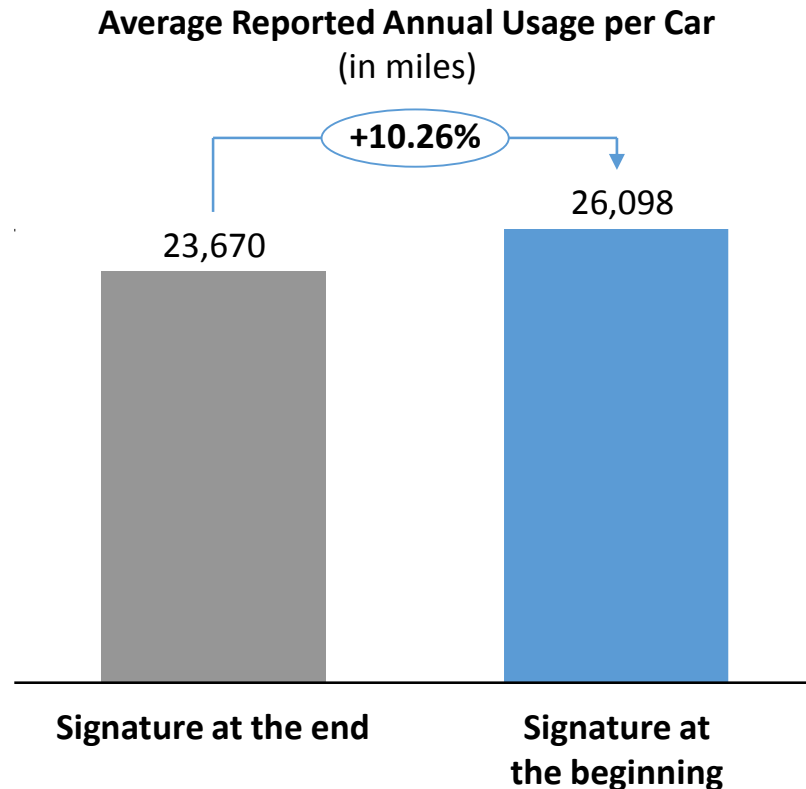
# Increasing honesty in self-reporting by priming honesty



USA

EXAMPLE

In 2010, a group of researchers in collaboration with an insurance company in the U.S. increased the annual reported car mileage figure by 10.3%, and hence the accuracy of self-reporting, by moving the signature box from the end to the beginning of the automobile policy annual review form



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*moving signature box from the end of a form to the beginning*

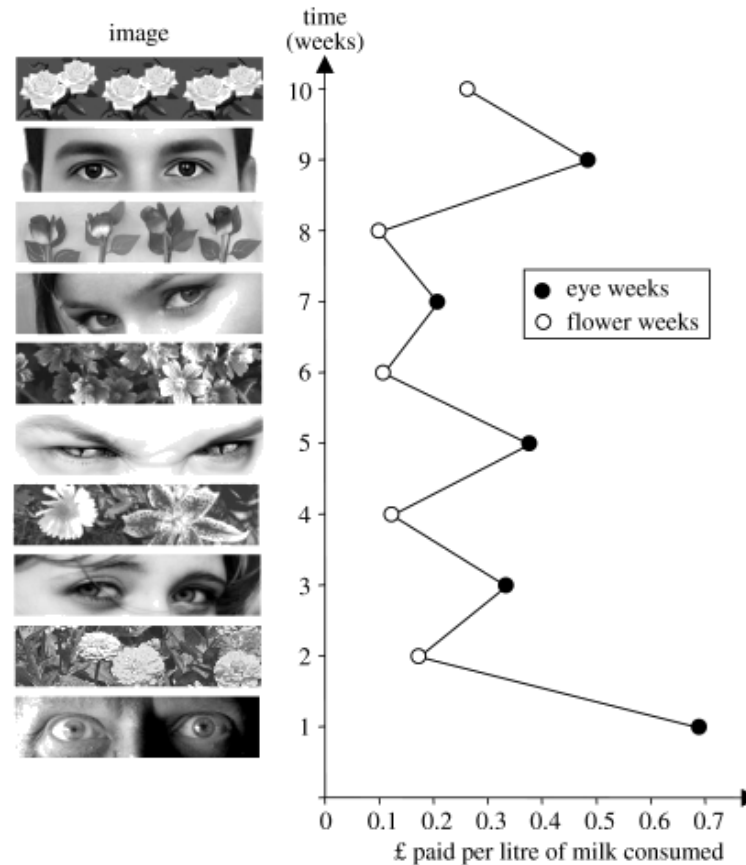
# Increasing contribution using Hawthorne effect



USA

In 2006 a group of researchers examined the effect of an image of a pair of eyes on contributions to an honesty box used to collect money for drinks in a university coffee room. People paid nearly three times as much for their drinks when eyes were displayed rather than flowers

**Amount Paid for Milk Consumed on Flowers Weeks vs. Eyes Weeks**



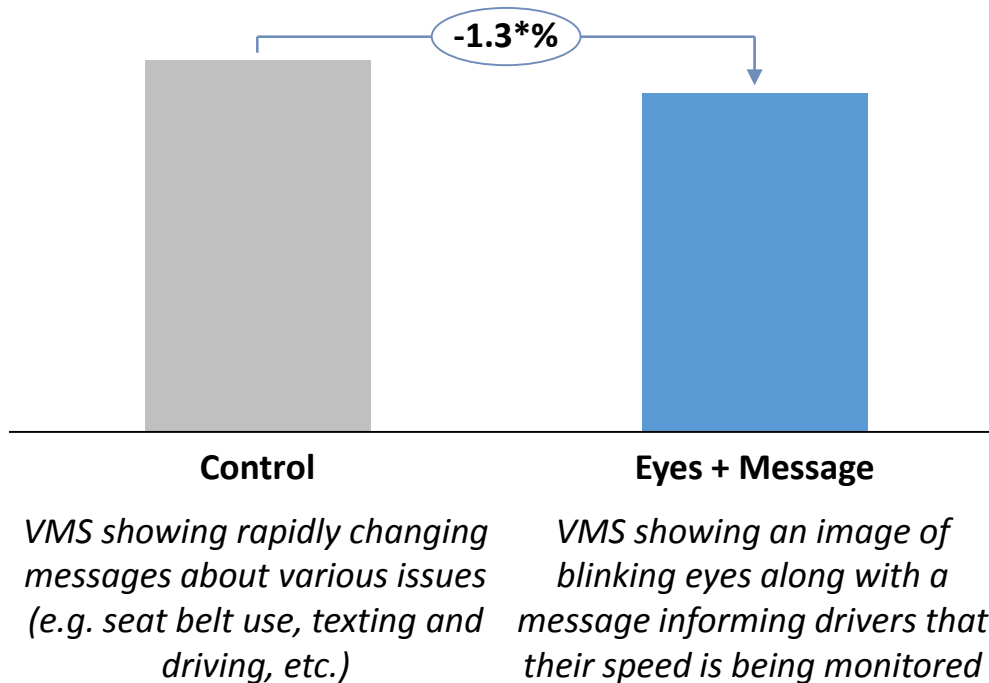
# Decreasing speed on Nahr El Kalb highway using the Hawthorne effect



## Lebanon

In collaboration with the Ministry of Interior's Traffic Control Room in 2018, a Nudge Lebanon intervention led to a decrease in the average speed of cars on the Nahr El Kalb highway by 1.3% before midnight, compared to the baseline, by utilizing the Hawthorne Effect to trigger behavioral change through putting an image of eyes along with a message informing drivers that their speed is being monitored on Variable-Message Sign (VMS) over the highway

### Average Speed on Highway (in KPH, N=10799)



### Thermal Image of Nahr El Kalb Highway



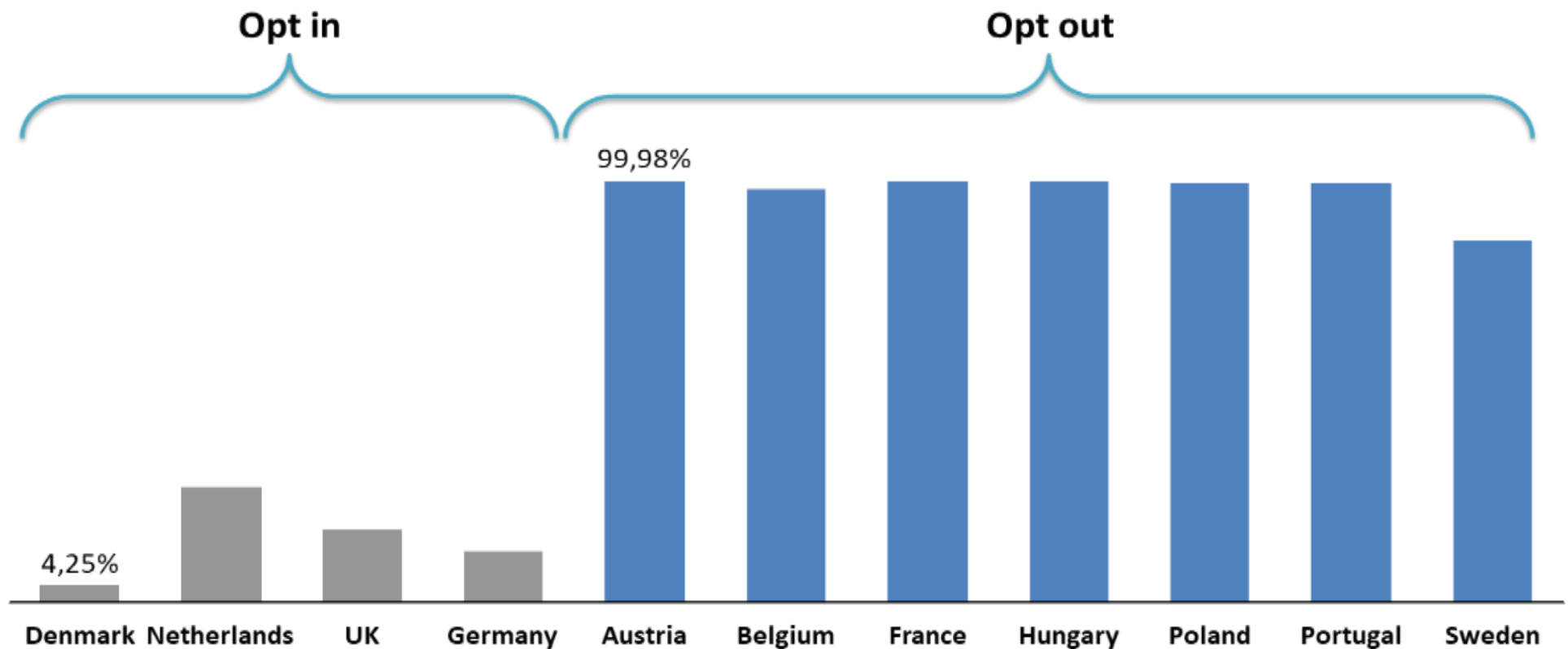
Leading to a decrease in the number of violators by close to 28 cars (out of 418)

\*p < 0.5; \*\*p < 0.01; \*\*\*p < 0.001

Source: Nudge Lebanon Team Analysis

# Increase percentage of adults registered as organ donors using default

A number of European countries have either used the opt-in default or opt-out option for individuals' decisions to become organ donors. The countries using the opt out default option have drastically higher proportions of their population in the potential organ donor pool.

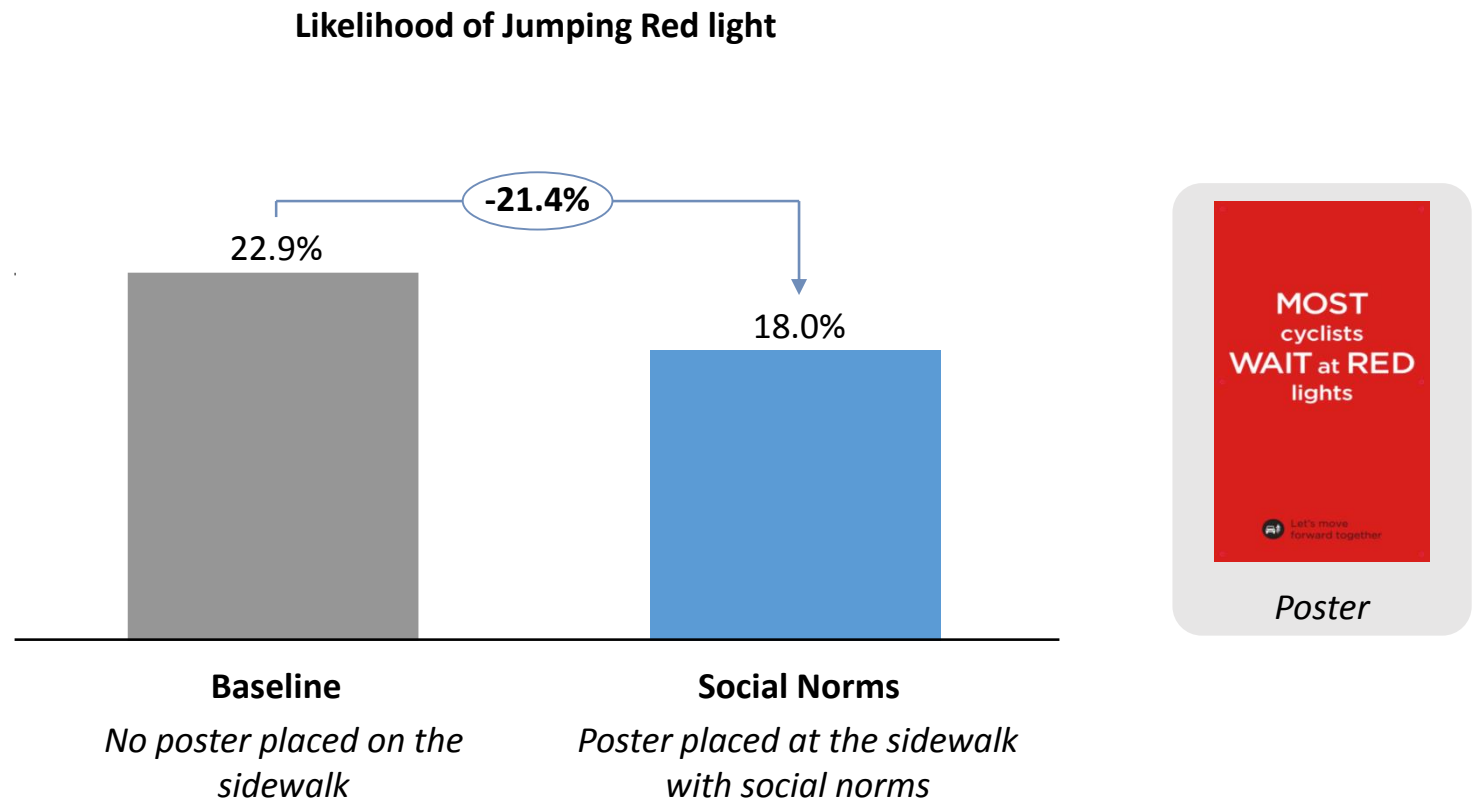


# Decreasing cyclists' non-compliance using social norms



UK

The Behavioral Architects in the UK decreased the likelihood of cyclists jumping the red light by 21.4% at an intersection by placing a poster on the sidewalk with social norm message about jumping red light



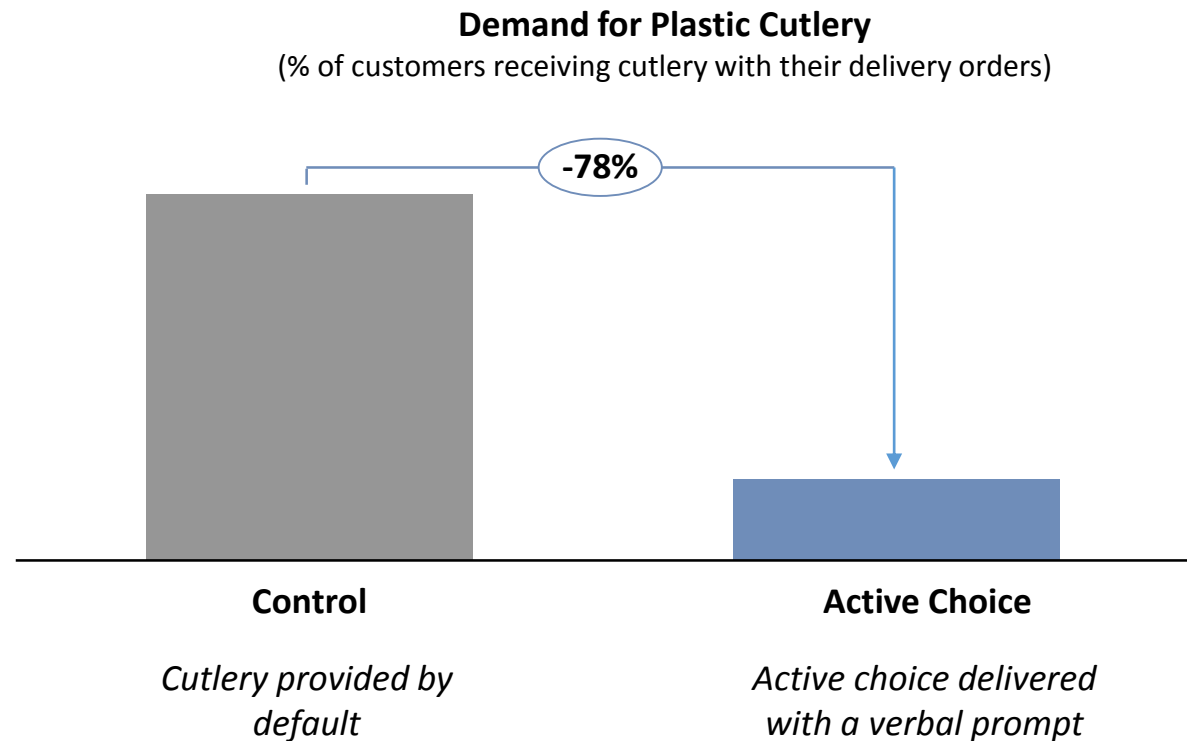
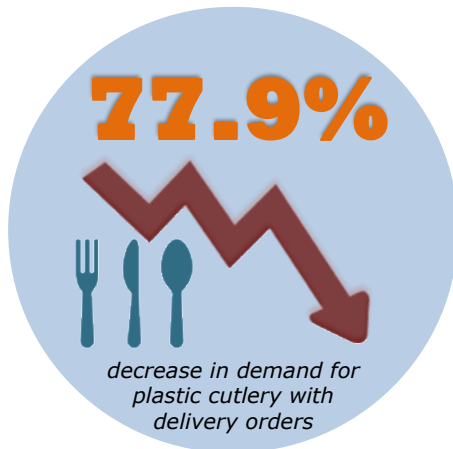


# Reducing demand of plastic cutlery using active choice



Lebanon

In 2017, NudgeLebanon reduced the demand for plastic cutlery with delivery orders from a local restaurant by almost 78% in comparison to the baseline, by prompting customers to make an active choice of receiving cutlery, delivered through a verbal prompt by the call centre staff before the call was concluded

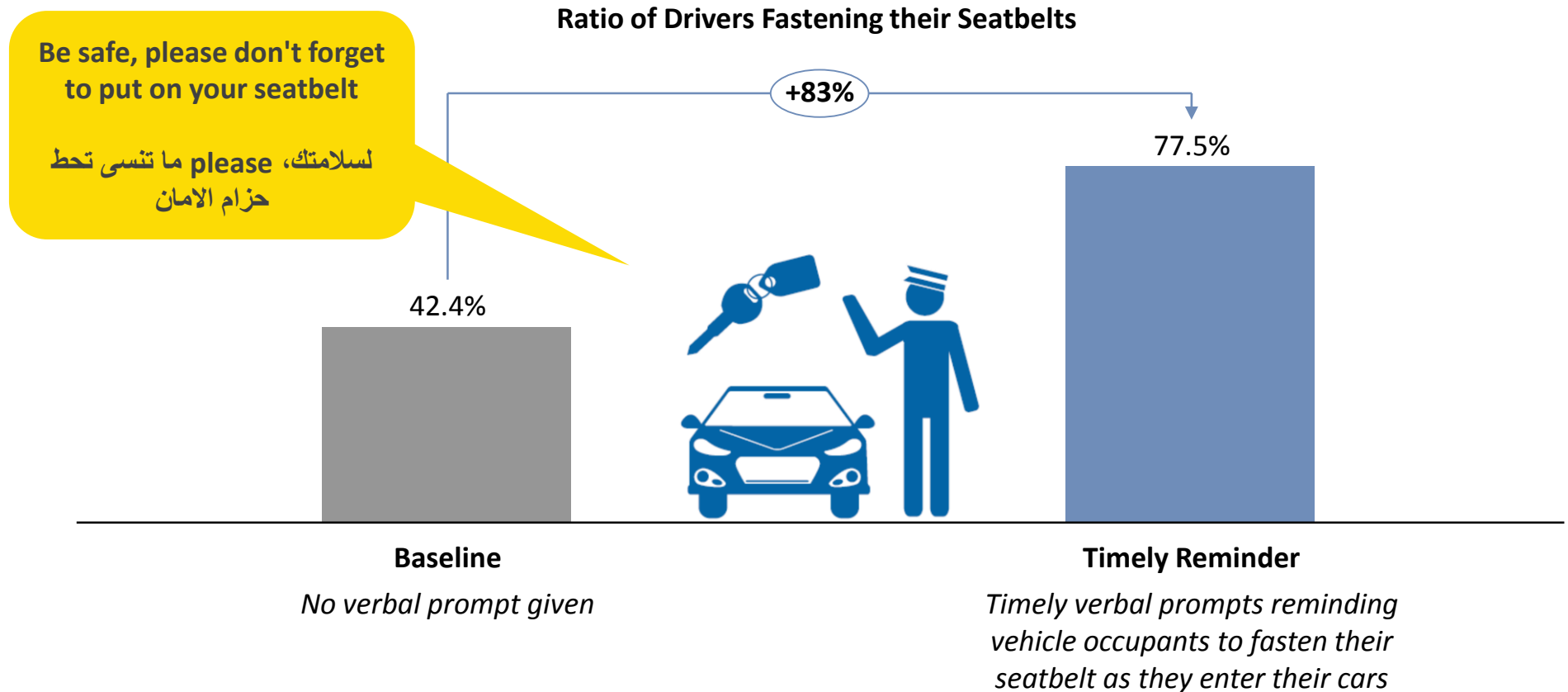


# Improving seatbelt compliance rates using timely reminders



Lebanon

In 2017, NudgeLebanon *increased the number of drivers fastening their seatbelts by 83%*, compared to the control group, through a verbal prompt delivered by valet parking attendants to drivers, **reminding them to fasten their seatbelt as they enter the car**



# Increasing traffic to LTA's anti-corruption hotline ...



## Lebanon

*An initial experiment was conducted with a Land Registry of Baabda leading to a 6 fold increase in the use of the anti-corruption hotline during the 1<sup>st</sup> week - A replication of this experiment was conducted in Saida government complex leading to 27.7% increase in use of the hotline from this location*



Photocopy Center



Street



Parking Lot



Many behavioural bottlenecks might explain the low traffic to hotlines because of low trust in the government and normalized perception of corruption

### Potential Behavioural Bottlenecks

### Relevant Behavioural Tools

1

People might not be aware that they can report corruption by calling a hotline

Outlining defined actions to be taken

2

Even if they were, they might feel that it won't make a difference, as nothing will be done about it

Increasing the saliency of the positive impact of reporting

3

They might also feel that corruption is widespread and everybody does it

Emphasizing social norms  
Priming people to make an active choice

4

Additionally they might fear retaliation if they report a complaint

Increasing the saliency of anonymity

5

And they might perceive the cost of reporting as being higher than the cost of corruption they pay

Providing feedback about the time needed to solve complaints  
Increasing saliency of the free LALAC services

# “Proudly Non-smoking” Utilizing Dynamic Social Norms



LB

As part of its “Proudly Non-smoking” campaign, Nudge Lebanon launched an initiative to improve restaurants’ compliance with Law 174 banning smoking in public spaces using dynamic norms which recent research has shown to be effective in promoting behavior change, even if that behavior is not currently the norm

## Recognizing Compliance Baseline

### Restaurants Compliance with Anti-Smoking Ban



Area



Compliance Rate

1

HAMRA

51.5%

## Improving Compliance using Dynamic Social Norms

*Distinguishing current compliant restaurants to trigger wider compliance and adoption ...*



**Physical Recognition**  
(Quality stickers,  
letters, ...)

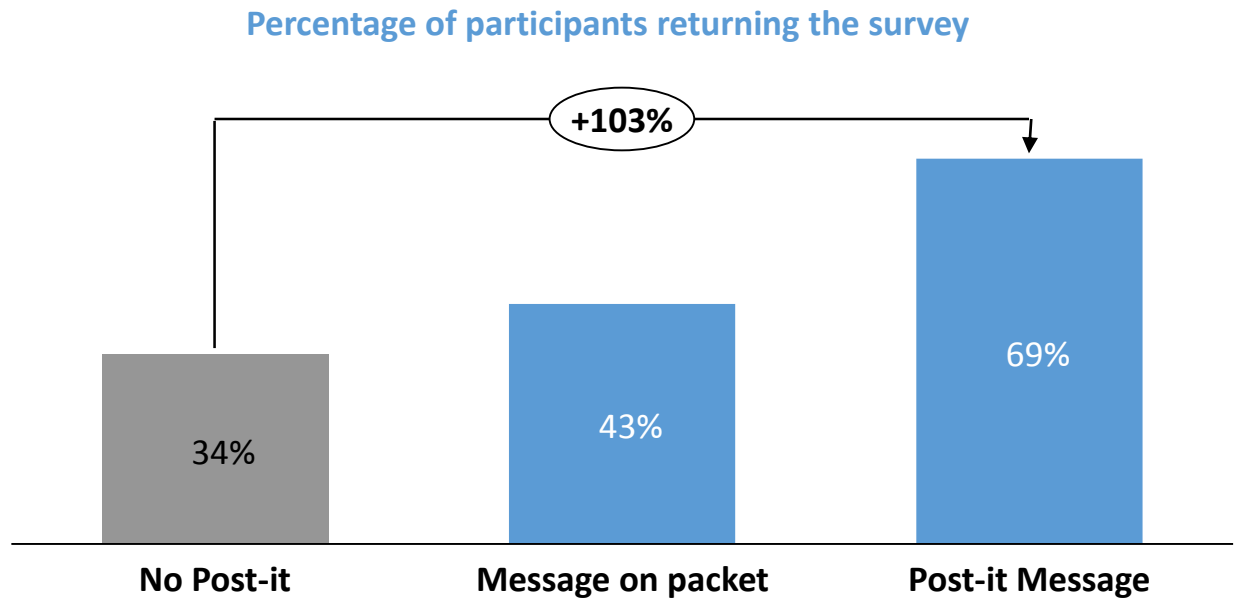


**Digital Recognition**  
(Culinary-related  
apps, emails, ...)

# Using salience to nudge civil servants in completion of forms & reports



Attaching a Post-it note with a handwritten reminder to a survey packet increased the percentage of individuals completing the survey



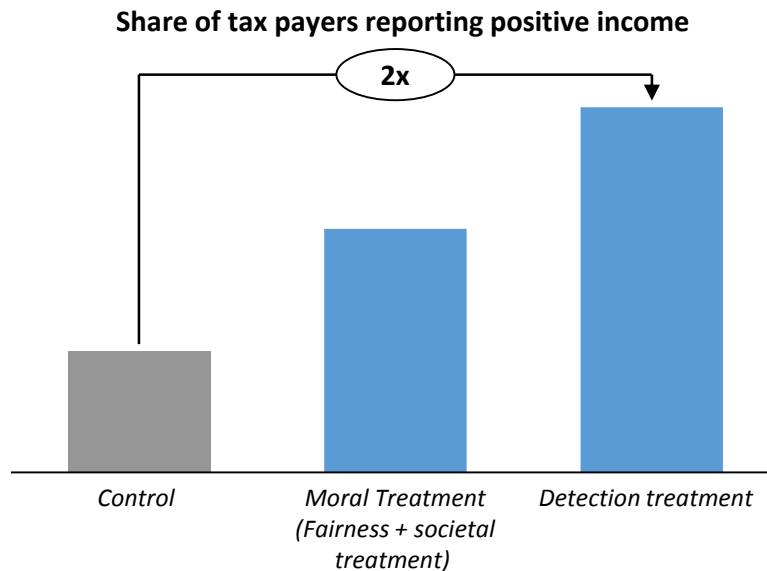
# Increasing tax reporting through increasing the salience of the perceived probability of getting detected



Norway

EXAMPLE

An RCT was conducted in Norway on 15,000 tax payer to increase the accurate reporting of foreign income through using behaviourally informed messages that introduced moral suasion and increased the perceived detection probability resulting in doubling the average self-reported foreign income. Additionally, the detection letter has large long-term effects on tax compliance.



## The three treatment arms included:

- The **fairness treatment** that reminded tax payer that most of the Norwegians living in Norway report their income correctly
- The **societal benefits treatment** that included the results of the benefits of paying taxes on the society
- The **detection treatment** increased the perceived detection of the tax subject. The letter included: *"The tax administration has received information that you have had income and/ or assets abroad in the previous years"*

Source: Bott, K. M., Cappelen, A. W., Sorensen, E., & Tungodden, B. (2017). You've got mail: A randomised field experiment on tax evasion. Nudge Lebanon Team Analysis

# Reducing misuse of public funds through making reporting easily accessible



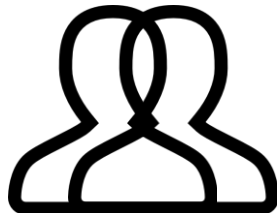
Papua New Guinea

EXAMPLE

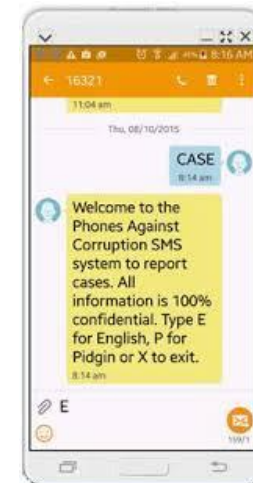
In 2014, UNDP in partnership with the Department of Finance launched “Phones Against Corruption” initiative to increase the reporting of corrupt practices through **making the process free, simple and anonymous**. Citizens were able to report cases of corruption via their mobile phones using SMS messages that would later thank the reporters and provide continuous feedback resulting in 251 cases of alleged corruption being investigated.



More than **6,000** text messages were received



More than **1,500** users participated







# How to Embed Behavioral insights for Tackling Corruption

# Develop a Behavioural Map

1

## *Key component*

## *Process*

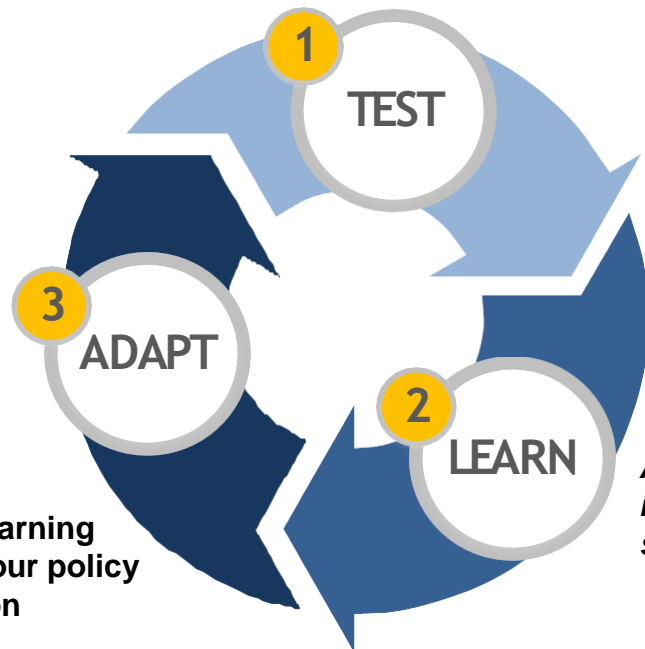


Co-create with relevant stakeholders

# To test the impact of an intervention, an experiment is conducted using different methods

3

*Ensure that you have put in place **robust method** to evaluate the **effectiveness** of the intervention*



Use this learning to **adapt** your policy intervention

*Analyse the outcome of the intervention using rigorous statistical methods, in order to*

- Identify **what works**, and
- whether the **effect size** is big enough to justify the cost of the intervention

## WHY EXPERIMENT?

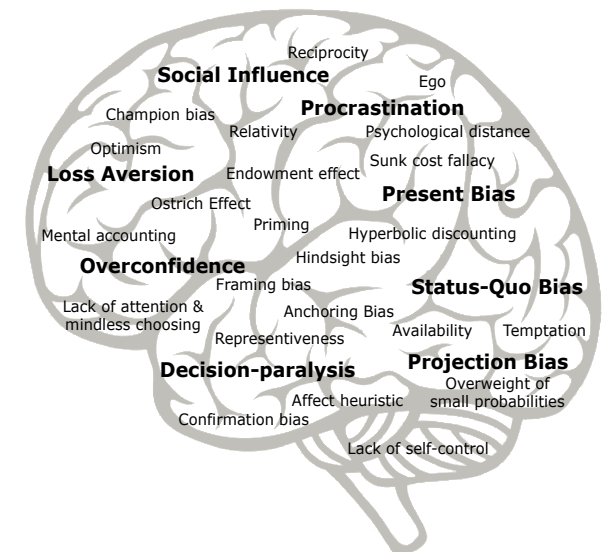
- Key to understanding what works, what does not work and why
- Gather empirical evidence on how behavior is influenced by context
- Policies need to be tested before being implemented, potentially affecting millions- just like medical drugs are tested before being placed on the market
- Emphasize evidence and avoid intuition-based policies and initiatives
- Randomized Controlled Trials (RCTs) are the golden pillar for experimentation in BE
- Other methods can also be applied, e.g. pre-post, difference-in-differences, etc.

Celebrate failures and be transparent

# Build capacity in behavioral insights that have been tested for Scale Up

5

- **Workshops** and **seminars** on behavioral insights and nudging in government, CSOs & citizens
- Build capacity to identify **biases** and **behavioral as well as regulatory bottlenecks**
- Review best practices on how to apply behavioral insights on anti-corruption measures related to compliance and prevention
- Includes **theoretical foundation** part as well as **practical** part on designing and conducting experiments to address policy challenges
- Tailor courses to equip professionals with the basic tools and methods to **design, implement** and **evaluate** interventions and nudges



# Key considerations when applying behavioural sciences in the fight against corruption

- 1 Corruption has structural roots, but has also behavioral roots, which in the case of Lebanon, is a key consideration
- 2 Given structural weaknesses – namely lack of enforcement – behavioral interventions are important tools
- 3 This said, behavioral interventions should be seen as complementary tools for policymakers, and not as perfect alternatives
- 4 Context matters – what worked in one place, might not work in another
- 5 Experimentation is all the more important to test what works – what works is not what we think works but what was tested to work, ideally in a RCT setting (analogy from clinical trials)
- 6 With the change in mind set to accept the concept of behavioral interventions and experimentation, comes the change in skillset to build capacity in these fields, not only for government staff but also for NGOs



**Thank You**





# **APPENDIX**

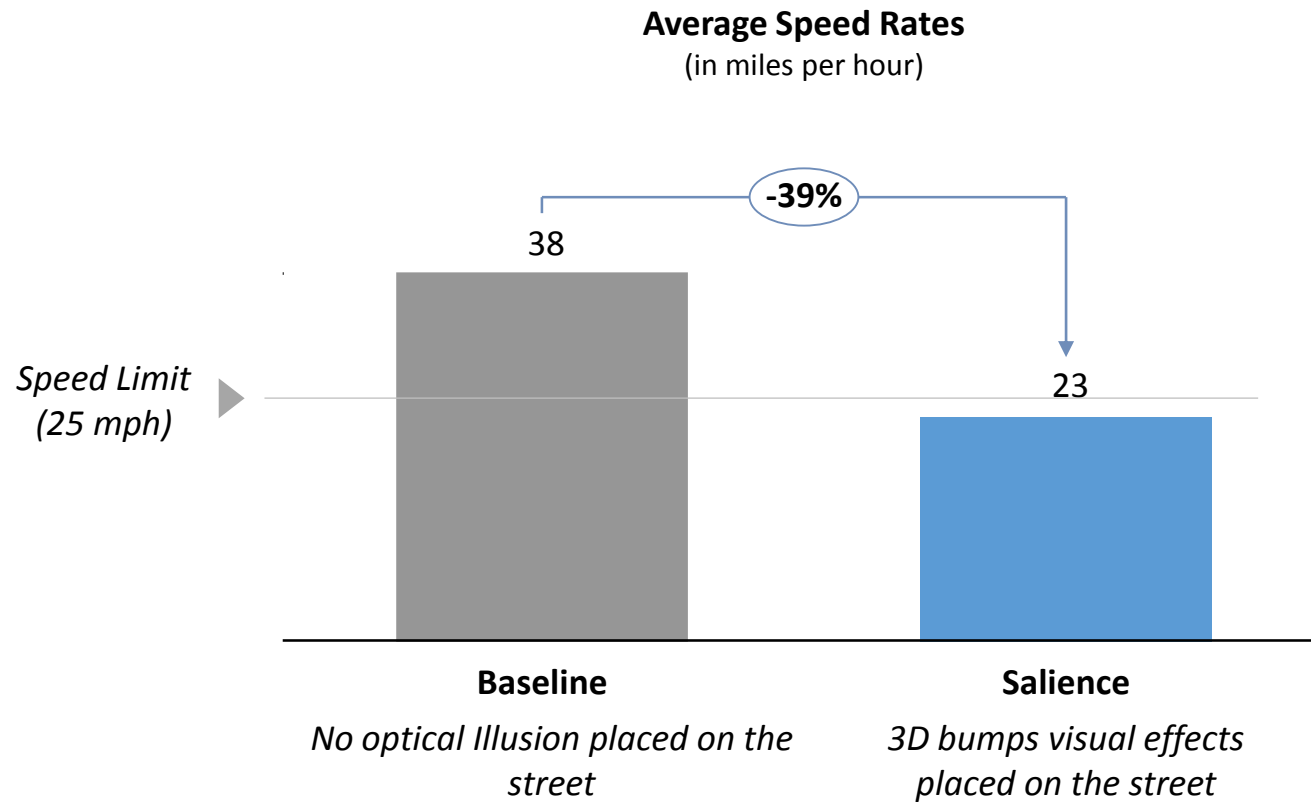
# Decreasing Average Speed Using Salience



USA

EXAMPLE

Philadelphia Municipality in the U.S. decreased the average speed by around 39% through adding visual effects resembling 3D bumps to prompt people to decrease their speed



*3D bumps*

# SHAPE DIFFERENCE : Salience

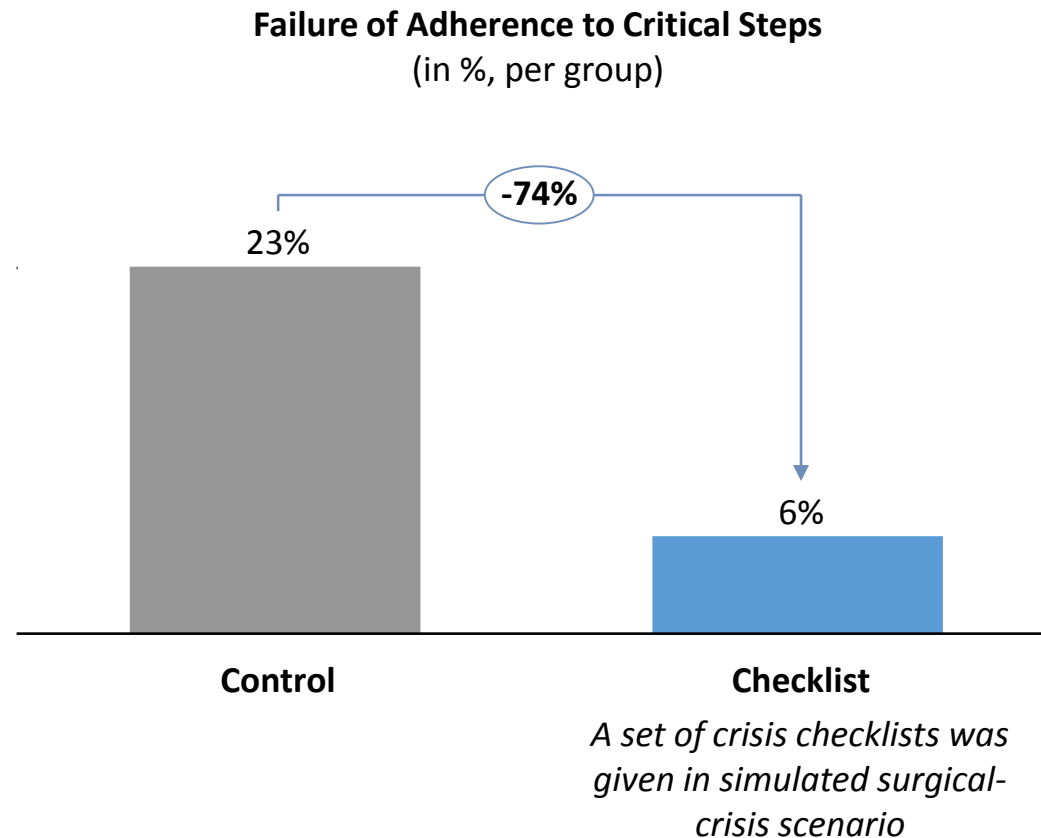


USA

## Decreasing Missed Steps in Operations using Checklists

EXAMPLE

A group of researchers in the U.S. reduced by nearly 75% the failure to adhere to critical processes of care among operating-room teams participating in simulated surgical-crisis scenarios, compared to control teams, by giving participants critical-event checklists



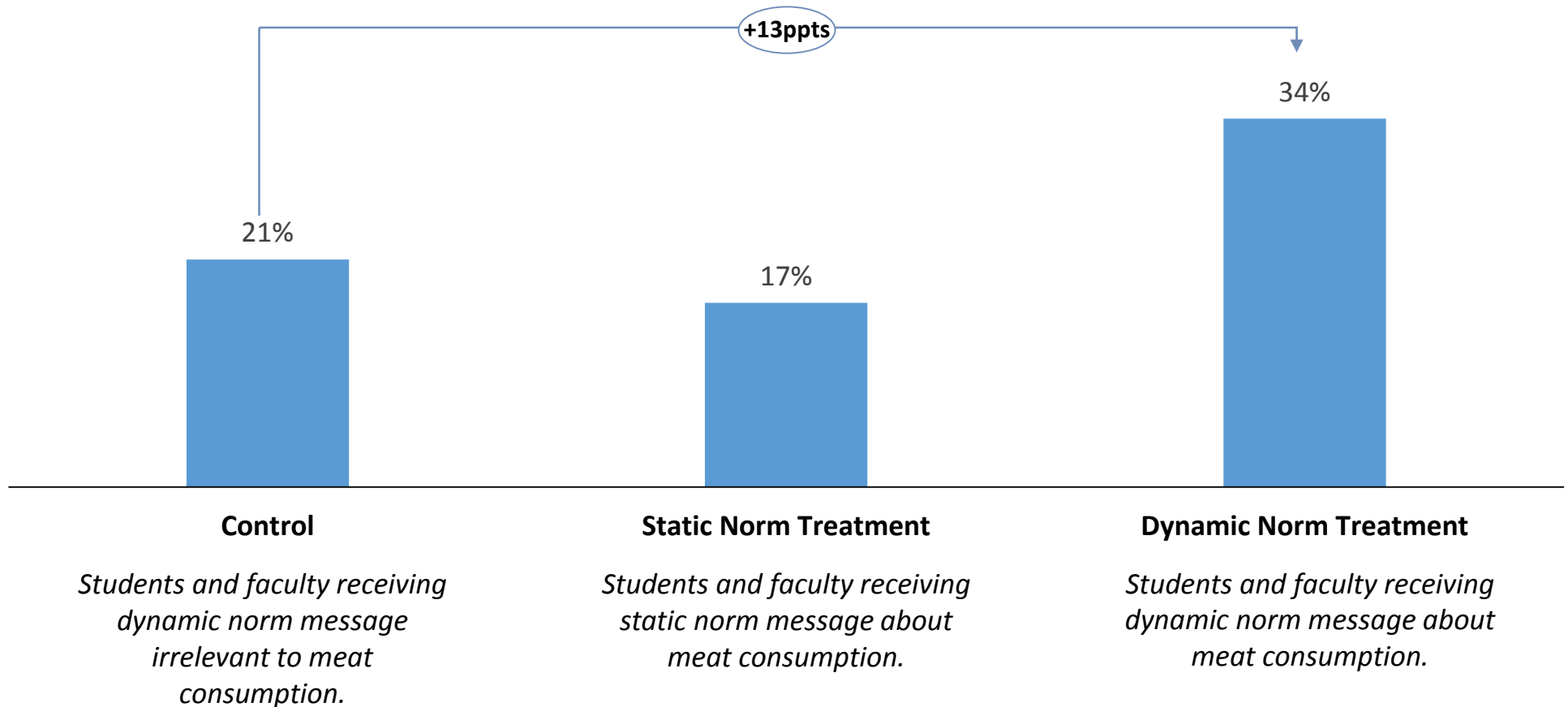
# SHAPE DIFFERENCE : Effect of Messenger



USA

## Decreasing Meat Consumption Using Dynamic Social Norms

A prime example of dynamic social norms in action can be extracted from Sparkman and Walton (2017). Through an RCT, the authors were able to detect a significant impact of the likelihood of having a meatless lunch when presented with a dynamic social norm as a treatment with respect to the control group. This result held despite a probability for the static social norm treatment that is less than that of the control group, indicating the effectiveness of dynamism and norm framing.



# SHAPE DIFFERENCE : Commitment

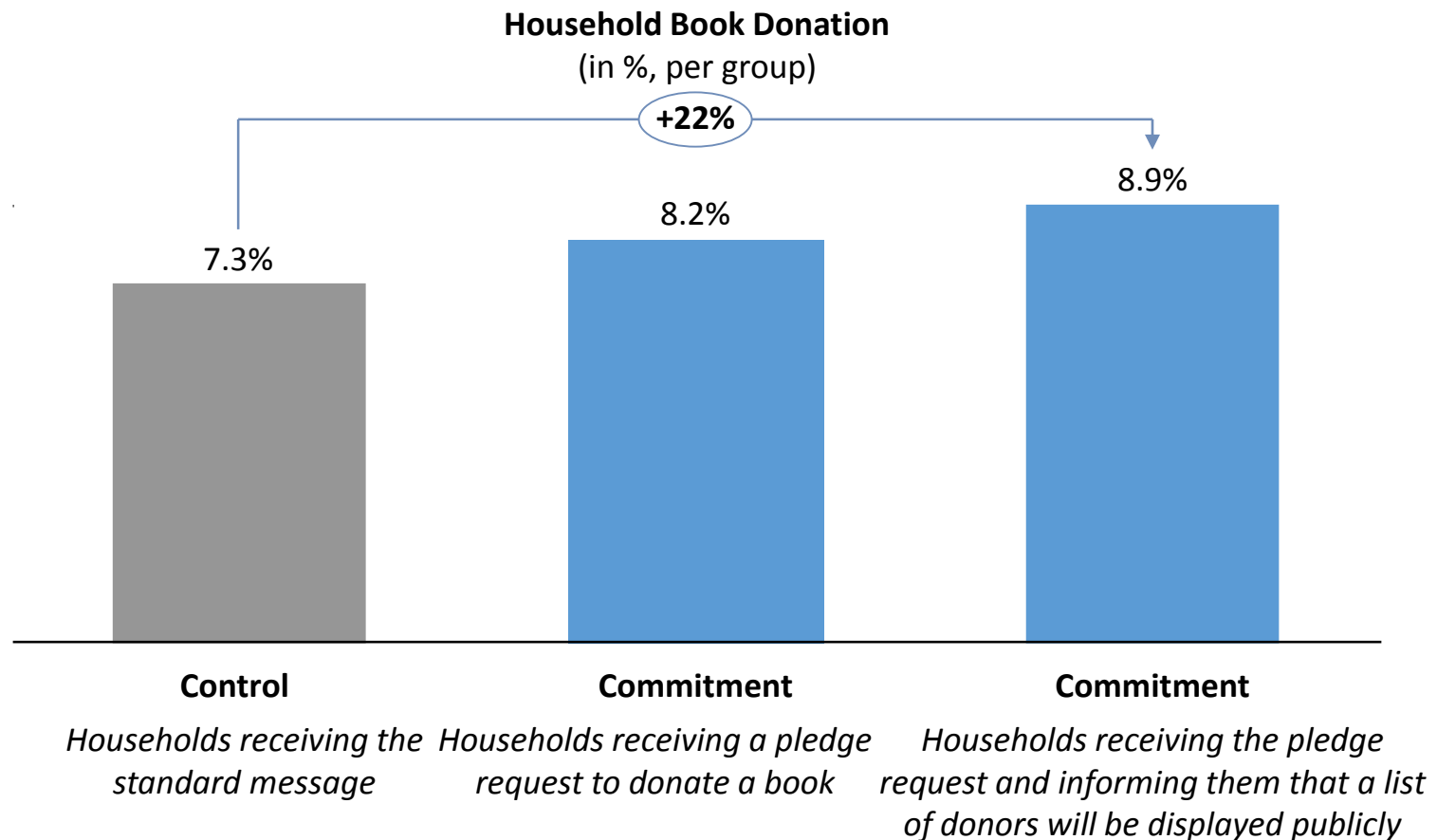


UK

## Increasing Book Donations using Commitment

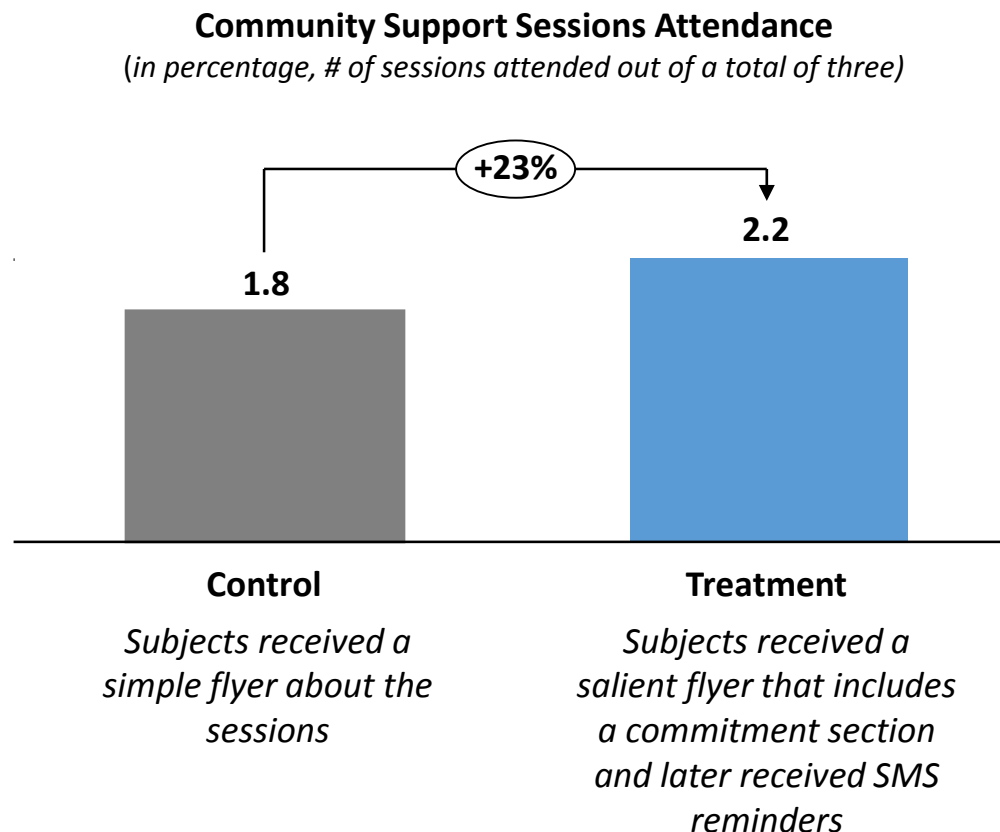
EXAMPLE

In 2010, a group of researchers in the UK increased the proportion of people who donated books by 22% compared to the control group, simply by asking people to pledge book donations with an offer of public recognition



# Increasing attendance of vulnerable youth to community support sessions

Nudge Lebanon, in collaboration with UNDP, increased the likelihood of vulnerable youth attending community support sessions by 23% using a commitment strategy accompanied with SMS reminders



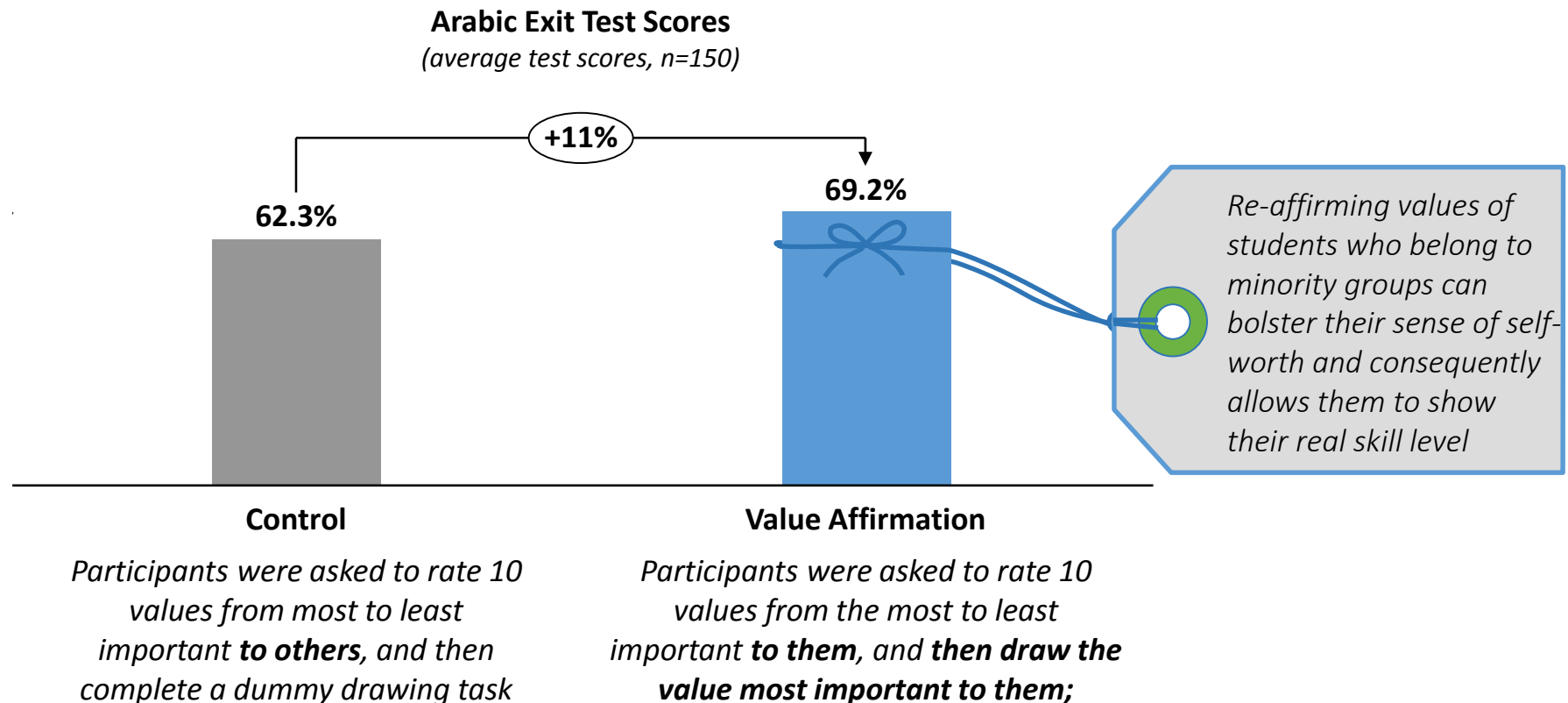
*The intervention was particularly effective on young male population increasing their total attendance by 55%*

# Improving academic performance of disadvantaged students enrolled in a Youth Literacy and Numeracy program



Lebanon

In 2018, Nudge Lebanon, in collaboration with Amel Association International, increased the performance of disadvantaged students enrolled in a Youth Literacy and Numeracy program by 11% on an Arabic test, using a values affirmation task designed to alleviate the psychological stress that results from stereotype threat





## ***Behavioural Intervention to Increase Traffic to our Call Centre in Baabda***

In an effort to increase traffic to our call centre, we partnered with Nudge Lebanon, a nongovernmental leader in applying behavioural solutions to policy challenges in Lebanon and the region.

Nudge Lebanon deigned an intervention by installing LTA posters and banners in Baabda square, a hub for many service-oriented public institutions (*e.g. Cadastre, Ministry of Finance, Palace of Justice, General Security etc.*).

The salient posters were strategically placed to catch the attention of citizens visiting those institutions, in an aim to **nudge** them AT THE RIGHT TIME, into directly calling our Hotline, right after experiencing or witnessing an incidence of corruption in a pilot location.

The experiment is underway, but preliminary analysis, show that the **nudge** had a significant impact increasing traffic to our call centre. Before the intervention zero complaints were linked to the Baabda area. Within the first week of the intervention 6 calls emanated from Baabda, a result directly associated to the campaign.

We are planning with Nudge Lebanon to replicate this experiment in other government departments to assess sustainability of impact