

Executive Summary

November 2022

Investee	The Behavioural Insights Team (BIT)
Main implementation country	Indonesia
Additional implementation countries	Bangladesh, Guatemala
Funding amount agreed	£3 million
Funding amount disbursed	£3 million
Co-funding	N/A
Investment date	6 October 2016
Actual implementation period	October 2016 - October 2020
Expected PYI at year 10 (ex-ante)	N/A
Expected PYI at year 10 (ex-post)	N/A

Innovation

GIF's grant of GBP 3 million to BIT aimed to institutionalize its TEST(S) (Target, Explore, Solution, Trial, Scale) methodology through the use of behavioural-based trials in Bangladesh, Guatemala, Indonesia and the Philippines. The TEST(S) approach proposes that small changes to public service delivery that are sensitive to human decision-making tendencies (e.g., default bias) can significantly impact the behaviour of end-users and therefore the performance of services and programs.

Prior to the investment, BIT had been able to achieve progress in building longer-term capacity to conduct behavioural-based trials, and to promote a broader mindset shift towards evidence-based approaches in multiple developed countries, including Australia, Singapore and the UK. The investment was BIT's first major effort to bring its approach to the developing world. The target countries were proposed by BIT based on low tax-GDP ratios and large informal economies, as well as the preliminary relationships that BIT had developed with local implementation partners.

The initial objectives of the grant to BIT were to deliver:

1. the execution of the TEST(S) (Target, Explore, Solution, Test, Scale) approach, via a series of randomised or otherwise rigorously controlled, behavioural-based trials with a focus on improved tax compliance;
2. corresponding capacity building of local civil servants applying this approach; and
3. the setup of measurement systems to track the long-term outcomes of the individual interventions and success in implementing the TEST(S) approach in government.

BIT would reach these goals through a learning-by-doing approach, wherein it would work with partners in each country to implement the trials. The assumption was that this would help institutionalize the TEST(S) approach, and so improve outcomes for the poor through improved, evidence-based policymaking.

Pathway to scale

This investment was envisioned to have a public pathway to scale through uptake by developing country governments. The long-run vision for the investment was to support developing country officials and governments – both those included in the project and others – to develop the mindset and capacity to independently design and execute rigorous trials to test behavioural principles, and to broadly support evidence-based interventions.

The assumption underlying this vision was that well-designed and well-executed trials related to increasing tax compliance in developing countries would increase revenue (ideally with demonstrated benefits to GIF's target beneficiaries) and build the capacity of government / civil service partners, thus creating both the demand and the ability to integrate behavioural science into policymaking.

Use of funds

The main activities funded by the grant pertained to training public servant partners in behavioural models and evaluation methodologies; jointly designing interventions and running trials to evaluate their effectiveness; and scaling up results in each country.

The majority of the funds – GBP 2,489,419 or 83% of the total budget – was intended to cover personnel costs. Travel was estimated at GBP 494,720 or 16.5% of the budget.

The grant was fully utilised as of the end of 2020. Around 85% of the budget was spent on personnel costs, and 15% was spent on travel and related expenses.

Implementation

The grant to BIT was one of GIF's earliest investments and the first scale investment. The main issue that the GIF deal team grappled with in the process of due diligence was that the TEST(S) approach was a process innovation, and the specific interventions and details of the trials were not identified and planned ahead of time. Until that time, GIF had only provided grants to specific interventions which had well-defined outcomes, activities, and evaluation methods.

GIF additionality was considered to be high for such an investment. The GIF deal team's diligence indicated that there were relatively few funders in the behavioural economics space, and most of the actors focused resources on high-income countries like the US and the UK.

Given the nature of the innovation, the grant agreement was designed to allow GIF to stay engaged in the implementation process and monitor individual interventions and trials. The grant agreement also included the requirement for BIT to report annually on progress in building the capacity of public servants applying the TEST(S) approach.

Operational Performance

Trials

As of September 2021 (the date of BIT's final report), BIT initiated work on a total of 39 trials (12 in Bangladesh, 13 in Guatemala, and 14 in Indonesia). In 2018 BIT and GIF agreed to withdraw from the Philippines and re-orientate the budget toward the other countries. Of the 39 trials, 14 were cancelled early in the ideation or implementation process, 2 were postponed and are yet to be launched by partners at the time of this report, and 23 were completed. Of these 23, 11 had significant and positive results. The results of two trials have been scaled up in Indonesia: a [campaign to encourage early filing of tax returns was expanded to 11 million taxpayers](#); and reminders to reduce social security arrears were scaled up via 300,000 companies with millions of employees. In Guatemala, an evaluation found that posters with "rules of thumb" for school principals increased the quality of school management practices. In Bangladesh, a pre-post evaluation found that posters on public buses positively impact awareness of sexual harassment and attitudes towards those targeted.

The contributions of the trials to policy objectives, their effect sizes and cost-effectiveness varied considerably. Some trials had significant benefits at a relatively low cost and were highly suitable for scaling. Other trials had modest gains and required further research to modify the intervention before eventually scaling up. Despite the initial assumptions of the project, most of the successful trials were in fact not related to tax collection; in particular, the success of education-related interventions appears to have been somewhat unexpected. These findings highlight the contextual nature of behavioural insights that are neither a policy panacea nor an easily predictable tool for policymaking.

Capacity building

BIT achieved notable capacity gains, particularly among the six partners with whom BIT worked most closely: Bangladesh Access to Information (a2i), BRAC, Guatemala Tax Authority, Guatemala Ministry of Education, Indonesia Tax Authority and Indonesia Social Security Agency. For example, a2i established a BI team with a dedicated internal budget within the research department and won their first grant for a behavioural insights project. However, BIT judged that this ultimately fell short of sustainability. By the end of the funding period, only a small number of key civil servants had strong ownership and capacity in applying the TEST(S) approach.

This is due to several setbacks. Some of these, such as the Covid-19 pandemic, were impossible to anticipate, while others, including changes in political dispensations and departures of key personnel in partner organisations, could be foreseen. In particular, BIT's reliance on individual champions of behavioural approaches was vulnerable to turnover.

Long-term measurement of capacity

The objective of setting up measurements for long-term outcomes was deprioritised, in agreement with GIF. This was due to the fact that many of the interventions did not lend themselves to long term outcomes measurement, or were not sufficiently well evidenced to be scaled and evaluated in this way.

Learning and dissemination

Dissemination happened through multiple channels: each of the country teams publicised their own work, BIT hosted a dedicated microsite through which trail reports were made publicly available, and at least one of the trials was published. The results of the GIF-funded work were also highlighted in a dedicated panel during the BX Conference held on 5 September 2019 in London.

Practical impact

The BIT innovation did not lend itself to practical impact analysis and thus GIF did not create a PI model for this innovation.

Learnings

At the level of the innovation

BIT view their core approach of learning-by-doing as supported by the outcomes of this project; training is no substitute for hands-on experience (and ownership) of a project. BIT also view the project as further proof of the usefulness of their core TEST(S) methodology to governments around the world.

BIT learned that capacity building efforts need to be concentrated on government teams with political and organisational backing, which is key to ensuring long-term sustainability. BIT had success in securing support from a number of high-ranking officials and politicians, even if this was at times short-lived due to changes in political administrations. Several projects faltered due to insufficient political backing.

BIT's experience also highlighted the importance of context and carefully considering the positioning of the team being supported. BIT learned that there is no one-size-fits-all approach when it comes to embedding behavioural science in policymaking and ultimately concluded that there is no single best-practice approach for establishing Behavioural Insights Units (BIUs).

When it came to building momentum, BIT found that providing examples of the value of behavioural insights from other countries was far less effective than early results of local BIUs. Formalising relationships between BIT and BIUs appears to have aided sustainability. BIT noted that high intrinsic motivation among the team members of any BIUs was an important factor for success. This is consistent with the finding that BIT's approach was more successful at harnessing pre-existing demand for evidence-driven policy than it was in generating demand.

The project had a major impact on BIT as an organisation. It helped BIT get a foothold in the low- and middle-income country market, directly leading to several partnerships, including BIT's continued work with BRAC (e.g., around WASH at the time of Covid-19). It also helped catalyse partnerships elsewhere in the world.

For key stakeholders, funders, replicators, scalers-up

Behavioural approaches are a complement to effective policymaking rather than a panacea for the many structural challenges to developing sound public policy in low- and middle-income countries. A commitment to evidence-based policy and a willingness to invest scarce resources into improving policy-making processes are a prerequisite to institutionalising behavioural approaches.

Reflecting on these learnings, BIT recommended running an application process open to selected countries to identify governments with sufficient demand for BIUs for future grants. While this suggestion might help decrease the amount of effort needed to identify partners receptive to behavioural insights, implementing it would also lower the ambition of future projects. Rather than trying to bring behavioural approaches to places that would otherwise not adopt them, projects would simply supply services to governments with existing demand.

This report recommends, instead, to engage in a fine-grained mapping and due diligence on potential implementation countries/partners that focuses on identifying the prerequisites for implementing behavioural approaches:

- (1) A recognition of the value of evidence-based decision-making
- (2) A degree of stability within the civil service
- (3) An openness to experimentation as a mark of pre-existing institutional culture

Identifying governments that possess these qualities can improve the likelihood of effectively embedding behavioural insights in geographies with low pre-existing demand.

A key lesson is that capacity building, particularly in a project operating across multiple cultural and political contexts, is highly complex and needs to be treated as such in the overarching theory of change and the corresponding evaluation framework of any project that aims to institutionalise new approaches, such as behavioural insights. This is not only the responsibility of the implementer but crucially also the responsibility of the funder, who is involved in designing reporting frameworks. Capacity building appears to have been viewed almost as a by-product of running trials. While the reporting frameworks that were developed during the project might have been adequate for helping GIF understand the capacity trajectories of partners, this is not an adequate substitute for a coherent theory of change around capacity building.

For GIF

Much of the information that was requested from BIT when conducting due diligence revolved around the specific assumptions and theories of change behind tax and informality interventions. GIF does not appear to have engaged as extensively with the overarching theory of change of the capacity building processes proposed by BIT. It appears that GIF did not sufficiently probe the ideas of “training civil servants” and “learning by doing” that were the linchpins of BIT’s proposal.

GIF appears to have made large assumptions about the nature of the field of behavioural science. It heavily favoured RCTs and structured the KPIs around trials. While RCTs may have been seen as the “golden standard” of evaluation at the time of due diligence and contracting, it was also evident that the field of behavioural science was relatively young, dynamic and fast-evolving, and that there were other pathways through which behavioural insights might have benefitted government agencies. Although the sole focus on RCTs was eventually relaxed, it nevertheless set a tone for the project that prioritised one specific approach to embedding behavioural science into policy-making over other existing (and emergent) approaches.

GIF also appears to have reflected little on the specific suitability of RCTs as a vehicle for capacity-building. While the sheer number of people involved in an RCT might make it seem like an effective way to build civil servant capacity through BIT’s “learning by doing” approach, RCTs are also often expensive to run, which can be a deterrent for governments in low-income countries to pursue further trials independently

after BIT's exit—a key mechanism for sustainable impact at scale. It is also unclear that RCTs, by themselves, can lead to building capacity in other aspects of BIT's TEST(S) methodology.

BIT initially applied for a test-and-transition investment, with a more limited scope and budget and less ambitious strategy on scaling and sustainability. Even though GIF thought that a more ambitious scaling strategy was more appropriate and included objectives focused on capacity building and long-term measurement in the grant agreement, BIT's implementation approach was still preponderantly focused on the implementation of nudges themselves.

GIF should have flexibility for this type of grant, allowing the deal team to pivot during implementation. In a deal with multiple sub-grants and the objective of entrenching capacity, it would be useful for GIF to have gating mechanisms and reduce some of the sub-grants and repurpose a part of the full grant towards deepening capacity building. For example, the BX Conference and side event were a useful opportunity for peer engagement and cross-learning, as well as for GIF to interact directly with public servants.