

TC Document

1. Basic Information for TC

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| ▪ Country/Region: | REGIONAL |
| ▪ TC Name: | Behavioral Economics for Policy Design in the Caribbean |
| ▪ TC Number: | RG-T4033 |
| ▪ Team Leader/Members: | Rosenblatt, David Louis (CCB/CCB) Team Leader; Scartascini, Carlos (RES/RES) Alternate Team Leader; Beuermann Mendoza, Diether Wolfgang (CCB/CCB); Escobar Genes, Myriam Helvecia (RES/RES); Gauto, Victor (CCB/CGY); Khadan, Jeetendra (CCB/CSU); Mancilla, Elton Alexander (RES/RES); Martinez Villarreal, Deborah (RES/RES); Mooney, Henry (CCB/CCB); Natalia Almeida (LEG/SGO); Ortiz De Mendivil, Cloe (CCB/CBA); Parson Sinclair, Kayanna Betsy (CCB/CCB) |
| ▪ Taxonomy: | Research and Dissemination |
| ▪ Operation Supported by the TC: | .N/A |
| ▪ Date of TC Abstract authorization: | N/A . |
| ▪ Beneficiary: | Caribbean countries: Barbados, Guyana, Jamaica, Suriname, The Bahamas, and Trinidad and Tobago |
| ▪ Executing Agency and contact name: | Inter-American Development Bank |
| ▪ Donors providing funding: | OC Strategic Development Program for Countries(CTY) |
| ▪ IDB Funding Requested: | US\$360,000.00 |
| ▪ Local counterpart funding, if any: | US\$0 |
| ▪ Disbursement period (which includes Execution period): | 15 months |
| ▪ Required start date: | January 1, 2022 |
| ▪ Types of consultants: | Individuals and firms |
| ▪ Prepared by Unit: | CCB-Caribbean Group |
| ▪ Unit of Disbursement Responsibility: | CCB/CCB-Caribbean Group |
| ▪ TC included in Country Strategy (y/n): | N |
| ▪ TC included in CPD (y/n): | N |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Social inclusion and equality; Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability; Gender equality; Diversity |

2. Objectives and Justification of the TC

- 2.1. Productivity and growth have been lagging in CCB countries, and the pandemic has created additional challenges to growth. This TC will deploy behavioral interventions to improve: (a) the effectiveness of COVID-related containment and vaccination activities; and (b) the efficiency and effectiveness of public policies to spur long-term economic growth.
- 2.2. The economic recovery in the Caribbean is highly dependent upon the evolution of the pandemic itself. Effective implementation of containment measures, combined with a broad-based vaccination program is key for tourism and other sectors to return to more normal levels of activity. As vaccine supply improves, a constraining factor for these countries is vaccine hesitancy. Compliance fatigue with containment measures is another concern. Behavioral economics provides important insights into how to surpass these constraints. Work led by the IDB has shown the role of social norms for compliance (Martínez et al, 2021a), the importance of framing and issue salience for

take up of diagnostic and distance measures (Martínez et al, 2021b), and the role of trust in vaccination (Martínez et al, 2021c). Importantly, the IDB has pioneered the use of interactive quizzes for combating the pandemic. Preliminary results show their efficacy in changing perceptions and beliefs (Martínez et al, 2021d). This TC would finance the development of Caribbean-targeted tools to help governments leave the pandemic behind.

- 2.3. Productivity and growth have been lagging in CCB countries. Creative policy design incorporating behavioral techniques can improve multiple areas of public sector performance, enhancing human capital outcomes and creating the foundations for inclusive and sustainable growth (Rapoport, Rojas Méndez and Scartascini, 2020). Previous work has shown that behavioral insights can have an effect on changing behavior of civil servants to make them more respondent to citizens needs and to comply with their tasks as determined by laws and regulations (e.g., Scartascini and Zamora, 2021). It has also proven that it can help to guide better teachers' location decision to reduce sorting (Ajzenman et al, 2020) and health workers performance (Bernal and Martínez, 2020).
- 2.4. Behavioral insights have been very effective to improve human capital beyond the incentives of teachers and health-care workers. Behavioral insights have shown that they can increase the incentives for parents to send their kids to pre-school (Mateo Díaz et al, 2020), keep track of kids' achievements and attendance (Berlinski et al, 2019), and increasing youth attendance of higher education (Prada et al, 2020). Strengthening human capital requires a healthy population. Behavioral insights have been successful for increasing pre-natal care (Beuermann et al, 2019), increasing adherence of micronutrient treatments (Bernal et al, 2015), and reducing the prescription of unnecessary medicines (Torrente et al, 2020).
- 2.5. Behavioral interventions can increase productivity. For example, heuristic-based business training is more effective than traditional training tools (Arraiz et al, 2019). They can also help to improve public finances in the region. Increasing voluntary tax compliance can help to do that, while increasing more equitable outcomes at the same time. There is plenty of evidence that messages work (Castro and Scartascini, 2015), that methods of communication matter (Ortega and Scartascini, 2020), that rewards can help but only if designed appropriately (Carrillo et al, 2021), and that making it easier how to comply matters (Castro and Scartascini, 2019).
- 2.6. The proposed TC is aligned with the Vision 2025. As noted above, behavioral interventions can help overcome key constraints to the economic recovery and social progress. They can lead to innovation in governance, including improved relationships between citizens and public sector institutions.

3. Description of activities/components and budget

- 3.1. The IDB has been at the forefront of the implementation of behavioral interventions in the region and the creation of internal capacity to be applied in its operations. The. Currently, there are 5 ongoing and finished projects in the Caribbean region in a diverse range of sectors: education, health, gender, transportation and governance. Through the online behavioral economics online course and in-person trainings, the Behavioral Economics Group has trained over 5,000 policymakers, many of them from the Caribbean, on how to incorporate behavioral insights in public policies. The IDB's

Behavioral Economics Course completion badge is the most shared badge of any IDB online courses, which shows the demand for this course and its reputation.

- 3.2. Despite the work done, this is only the beginning, given the low penetration and high potential impact of behavioral economics tools in the design of public policies in the Caribbean region. This TC seeks to continue increasing the human capital of public officials, disseminating knowledge that the Bank is generating using behavioral insights, and positioning the IDB as a benchmark on the subject in the region. Together with the Behavioral Economics Group, this TC seeks to continue responding to the demands of the countries. This TC complements additional efforts the Bank is making to consolidate support to countries with a multisectoral approach.
- 3.3. **Component 1: “Hub” creation and capacity building of public officials and bank staff.** The TC will finance the creation and management of Caribbean regional “hub” focused four English editions of the online behavioral economics course. In addition, 2-3 personalized training sessions for policy makers will be designed and implemented during the course of the TC. Support and advice to government would be included as well. Training and advice will be offered on demand to interested policy makers.
- 3.4. **Component II: Generation of knowledge in the area of Behavioral Economics through country-based interventions.** This would include papers that summarize past work, propose new work and strategize with government officials on future interventions, including the design of future randomized control trials (RCTs). Country locations would be chosen in consultation with the authorities of each country; i.e., it will be on a demand basis.
- 3.5. **Component III: Dissemination of results, best practices and learning from behavioral economics to improve public policy design.** We also expect to produce several blogs, make presentations, organize events, and publish at least one technical note on the learning coming from the work of this TC.

Indicative Budget

| Activity/Component | Description | IDB/Fund Funding | Counterpart Funding | Total Funding |
|---|---|------------------|---------------------|---------------|
| Component 1: Creation of Hub and Capacity Building | 1. Hire a consultant to manage the hub and the operations | 100,000 | | 100,000 |
| | 2. 2-3 Training events for government officials. | 30,000 | | 30,000 |
| | 3. Strategic sessions with public officials to identify potential behaviorally focused projects | 20,000 | | 20,000 |
| Component 2: Generation of knowledge in the area of behavioral economics through country-based interventions | 1. Paper prepared summarizing all the behavioral interventions that have been done in CCB so far. | 10,000 | | 10,000 |
| | 2. Strategic paper prepared that looks at all the demands from CCB and how they could be | 10,000 | | 10,000 |

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| | tackled using behavioral insights 3. Design of 2-3 randomized control trials (RCTs) to be deployed later. 4. (a) Design and conduct 2-3 survey experiments that could help to show the potential of working in CCB and how people react to information/message (b) 2-3 lab-in-the-field experiments that also show the potential for these techniques (as in (4) above). | 30,000 140,000 | | 30,000 140,000 |
| Component III: Dissemination of results, best practices and learning from behavioral economics to improve public policy design | 1.4-5 blogs 2. 2-3 presentations 3. Dissemination webinar(s) 4. Technical Note on Lessons Learned | 20,000 | | 20,000 |

- 3.6. The budget will be administered in Headquarters and monitored by CCB headquarters staff. An evaluation report will be prepared upon completion of the TC.
- 3.7. Policy makers and citizens of CCB countries are the ultimate beneficiaries once the objectives of the TC are realized.
- 3.8. The TC's interventions are aligned with the Second Update to the Institutional Strategy (UIS) (AB-3190-2), the Corporate Results Framework 2020-2023 (GN-2727-12), and the OC Strategic Development Program for Countries (CTY) (GN-2819-1). More specifically, the cross-cutting theme of institutional capacity will be addressed through training and knowledge sharing activities, and the development challenges of productivity and innovation and social inclusion are being addressed through expanding the toolkit of public policies available to governments to improve social outcomes and enhance both public and private sector efficiency.

4. Executing agency and execution structure

- 4.1. The Bank, through CCB/CCB and the Behavioral Economics Group will be the executing agency, with the CCB front office coordinating the specific activities of this operation, with the participation of the Caribbean COFs and the support of KIC and ORP. The team leader will have technical and basic responsibility for the overall

implementation and supervision of the project. Please note that no digital tool is planned, so ITE is not included in the project team.

- 4.2. All activities to be executed under this TC have been included in the Procurement Plan (Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature, and; (c) GN-2303-28 for logistics and other related services.
- 4.3. Before the start of the operation activities in each specific country, a letter of no objection will be obtained from the liaison entity of the corresponding country.

5. Major issues

5.1 A risk of the operation could be little interest to use behavioral insights in the Caribbean countries. However, there is a very high interest from countless institutions and agencies in the region to receive the Bank's support on behavioral economics issues. Part of this potential risk would be mitigated with the same operation, through dissemination activities and training of public officials. Perhaps the most realistic risk is the Bank's ability to meet the growing demand of the countries, for which the Bank's Behavioral Economics Group is supporting KIC in investing heavily in training the Bank's human resources.

6. Exceptions to Bank policy

- 6.1. None expected.

7. Environmental and Social Strategy

- 7.1. This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not entail applicable requirements related to the Bank's Environmental and Social Policy Framework (ESPF)

Required Annexes:

[Results Matrix - RG-T4033](#)

[Terms of Reference - RG-T4033](#)

[Procurement Plan - RG-T4033](#)