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New World Bank Report Highlights IPA's Research, Calls for Redesign of Development Policy

Development policy should be redesigned to reflect new insights about human behavior, according to a new World Bank report. The report calls on the development community to shift its agenda based on new insights in behavioral economics, and supports this proposal

with findings from numerous IPA evaluations, including our work on commitment devices, reminders, and peer networks.

"Development economics and policy are due for a redesign," according to World Development Report 2015: Mind, Society, and Behavior. "Whereas the first generation of development policy was based on the assumption that humans make decisions deliberately and independently, and on the basis of consistent and self-interested preferences, recent research indicates that decision-making rarely proceeds this way."

Drawing on hundreds of empirical studies, the Bank argues that three principles guide our behavior and decision-making: that people think *automatically*, drawing on what comes to mind effortlessly, that people think *socially*, with social norms guiding much of behavior, and that people think with *mental models*, drawing on concepts and views from their societies and shared histories with others.

Infographic: Mind, Society, and Behavior
(Click for full infographic)



World Bank. 2015. *World Development Report 2015: Mind, Society, and Behavior.*[1]

For more than a decade, Innovations for Poverty Action has carried out research in development economics, the findings of which have cast doubt on the assumption that rationality and self-interest primarily drive human behavior and decision-making. As the report says, the verdict is in: "People do not make decisions by taking into account all costs and benefits."

Our work around commitment devices reveals that we need help achieving long-term goals, as we are often biased toward what we want in the present moment. One IPA project cited in the report found that commitment devices helped people in the Philippines quit smoking (read more here), another revealed that commitment devices helped people in the same

country save money (read more here), and another found that providing people with a lockable metal box, a padlock, and a passbook increased savings and investment in preventive health products, such as insecticide-treated mosquito nets (read more here).

Other IPA studies cited in the report also indicate that reminding people of their goals can help them stick to them. For example, research led by IPA's President Dean Karlan in Peru, Bolivia and the Philippines reveals that text message reminders can help people save money (read more here). Other research suggests social networks and peer pressure affect choices. For example, agricultural extension activities were much more successful when peer farmers were used in training activities (read more here). IPA also collected all data for the report in Peru (read more here).

"Research shows that small differences in context, convenience, and salience have large effects on crucial choices, such as whether to send a child to school, prevent illness, or save to start a business," World Bank Group President Jim Yong Kim writes. "That means development practitioners need to focus not only on *what* interventions are needed but also on *how* they are implemented."

We couldn't agree more.

Read this overview or the full report to learn more.

1 World Bank. 2015. *World Development Report 2015: Mind, Society, and Behavior.* Washington, DC: World Bank. doi: 10.1596/978-1-4648-0342-0. License: Creative Commons Attribution CC BY 3.0 IGO

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