

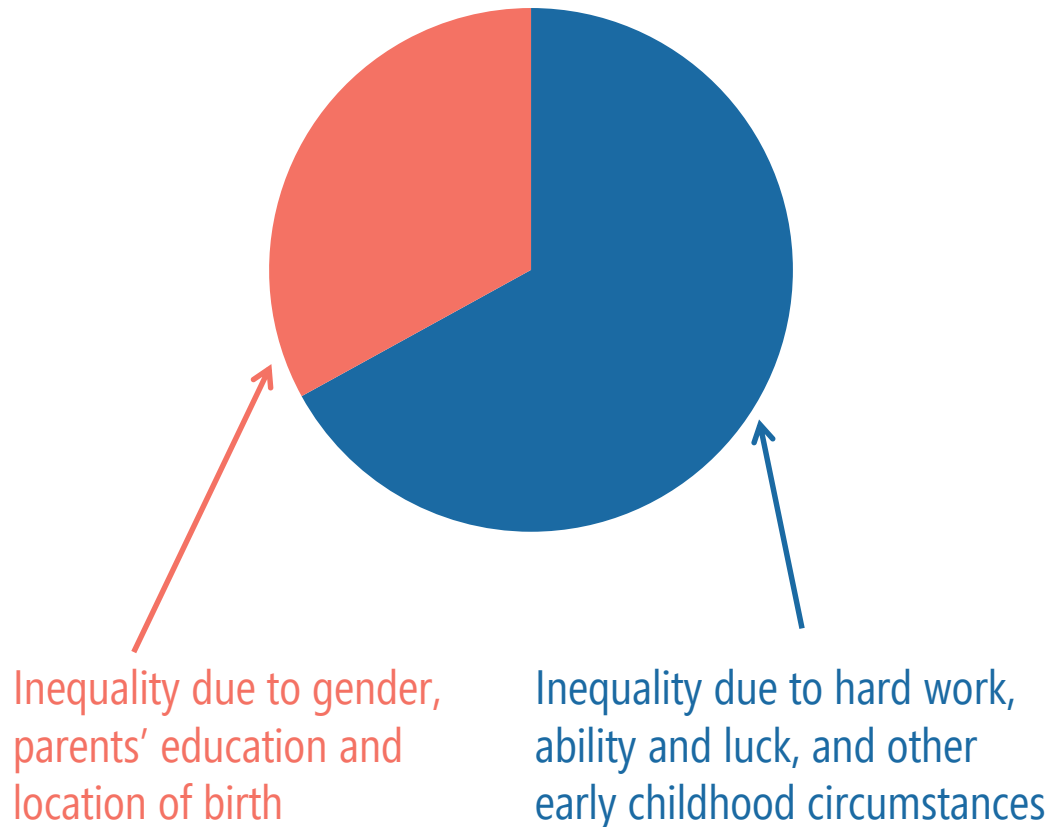


New Business Models for Governments to Promote Inclusive Growth

Vivi Alatas, World Bank

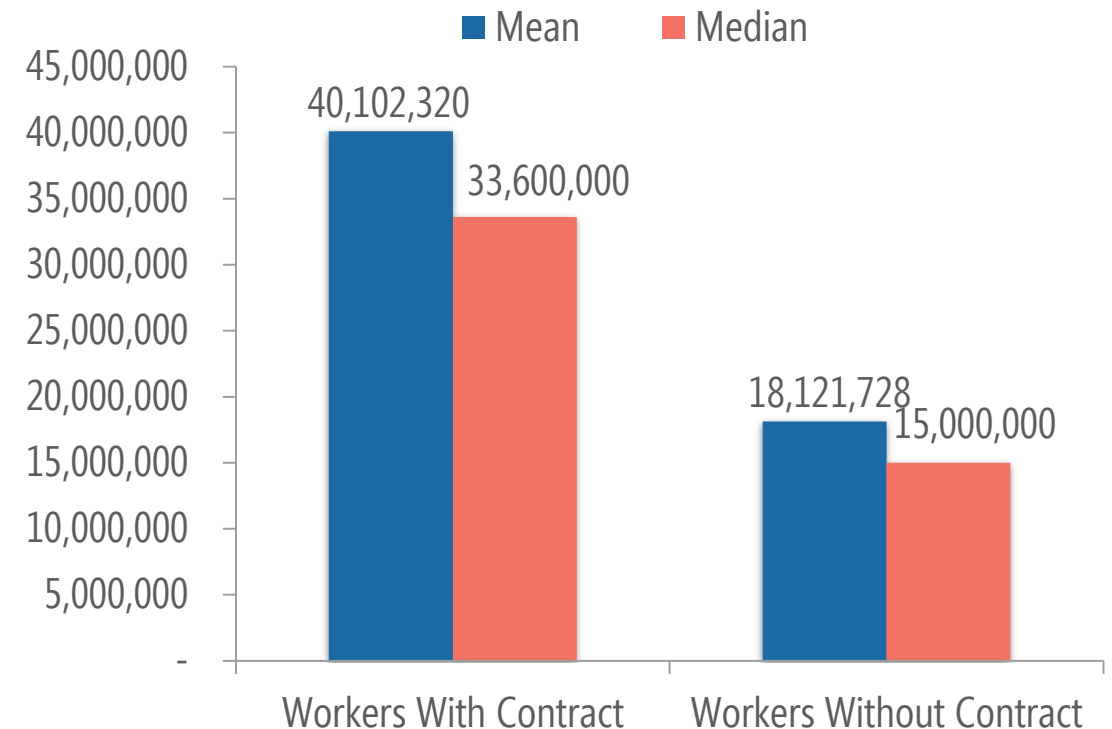
Poverty and inequality are still major problems to be addressed in the world, and there are several root causes that contribute to it.

1/3 of all inequality starts before birth



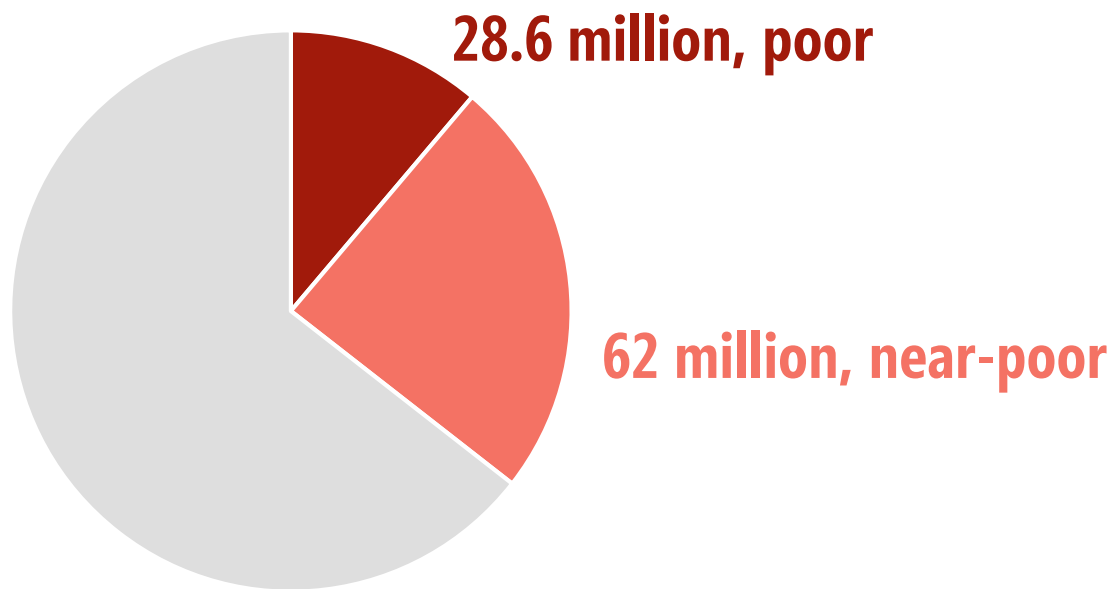
There are wide inequalities within the labor market

Sakernas 8/16: Wage in Current Job

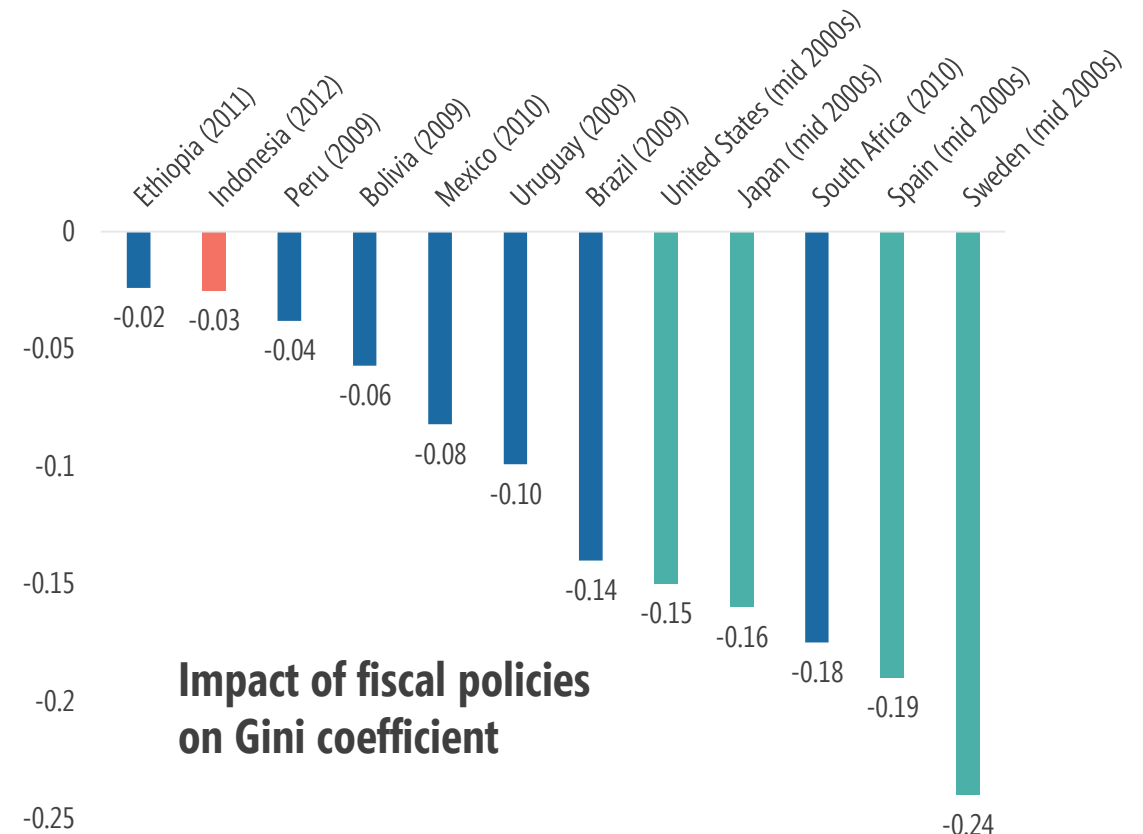


Poverty and inequality are still major problems to be addressed in the world, and there are several root causes that contribute to it.

62 mn Indonesians can be sent back into poverty by shocks



Wealth concentration has not been addressed by fiscal policy



There are several new strategies that can be leveraged to better address these causes of inequality going forward.

LEVERAGING NEW KNOWLEDGE ON HUMAN BEHAVIOR

LEVERAGING NEW DISRUPTIVE TECHNOLOGIES

LEVERAGING ADAPTIVE POLICY MAKING

LEVERAGING BEHAVIORAL SCIENCE TO HELP THE POOR

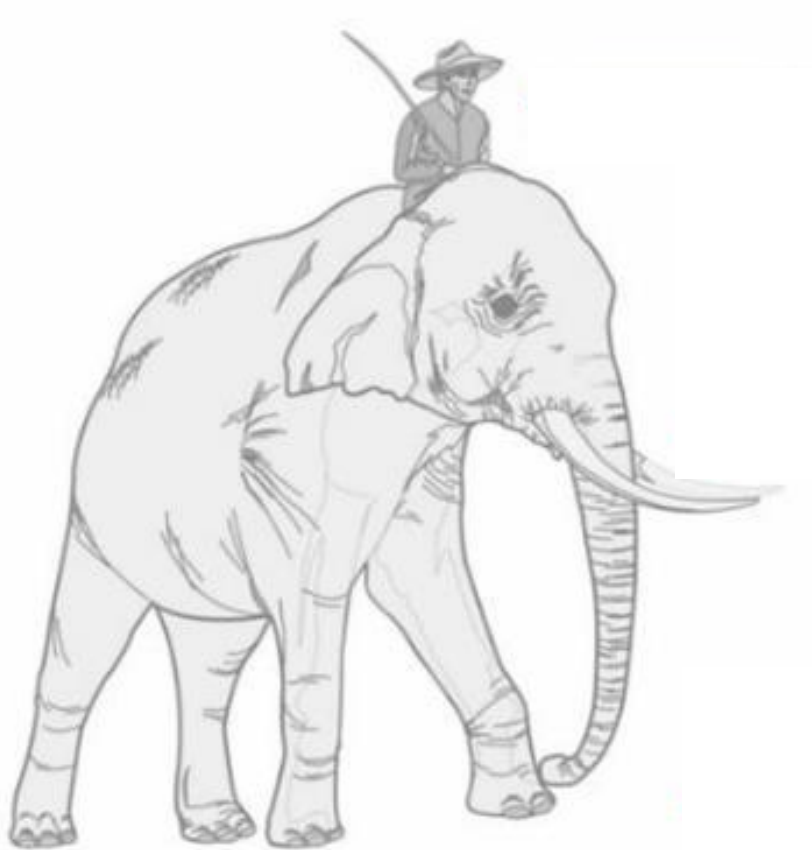
Past strategies for service delivery have focused mainly on the supply side.

In 2016, Indonesia allocated
419 trillion IDR for education

Dana Desa plans to transfer
1.5 billion IDR for each village's
development plans

Universal coverage of BPJS and JKN
is planned to be achieved by 2019

Emerging evidence from behavioral science shoes that people utilize two systems of thinking.



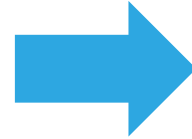
THE RIDER (“thinking slow”):
Rational thinking, long-term planning,
deliberate actions



THE ELEPHANT (“thinking fast”):
Irrational thinking, impulsive and
emotional, automatic actions

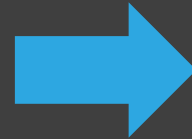
The “irrational system” leads people to make sub-optimal decisions, which hinders service delivery from the demand side.

In 2016, Indonesia allocated
419 trillion IDR for education



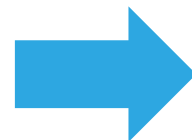
WILL NOT WORK
IF TEACHERS DON'T TEACH

Dana Desa plans to transfer
1.5 billion IDR for each village's
development plans



WILL NOT WORK
IF THE COMMUNITY DOES NOT PARTICIPATE

Universal coverage of BPJS and JKN
is planned to be achieved by 2019



WILL NOT WORK
IF HOUSEHOLDS DON'T UTILIZE IT

New business model: Design policies to influence behavior by engaging both the rational and irrational systems.

Engaging “the rider”:

Utilizing **incentives** that are framed as losses or missed opportunities

Presenting information in a **salient** and clear way

Engaging “the elephant”:

Minimize effort by changing the **default** options

Create the right **emotional associations** to the targeted actions

Utilize subtle **priming cues** to influence people’s behavior

New business model: Leverage the power of social norms and network effects.

Both “the rider” and “the elephant” respond to social factors

Leverage the power of **messengers**: recruit people who are well-liked, highly respected, or experts to induce behavior change

In the case of individual “deviants”, remind them that their misbehavior goes against the **social norms**

Addressing persistently bad behaviors (e.g., corruption, littering, open defecation) often requires **changing the social norm**

LEVERAGING DISRUPTIVE TECHNOLOGY FOR THE POOR

New technologies can produce innovations that allow the poor to create new businesses and access new markets.


In China, there are 780 Taobao Villages with 200,000 online shop owners and 1 million total workers

Innovations like Taobao allow poor people in rural/remote areas to access new markets and open new businesses



Digital technologies also make the poor more productive, by giving them a second chance at learning new skills and giving them access to real-time information.

Online courses make second chance learning easier and more widespread



You can learn anything.
For free. For everyone. Forever.

Learners, start here

Teachers, start here

Parents, start here

Real-time information on commodity prices allows farmers to plan better

Harga Komoditi

Wilayah Komoditi

Daftar harga komoditi ditingkat petani per **18 Oktober 2017 12:54:46**

KAKAO

Wilayah	Harga Sebelumnya	Harga Sekarang
KOLAKA	22000	22000
KENDARI	24000	23500 ▼
PIDIE JAYA	25000	25000

JAGUNG

Wilayah	Harga Sebelumnya	Harga Sekarang
PROBOLINGGO	3950	3950
LOMBOK	43500	43500

BERAS

Wilayah	Harga Sebelumnya	Harga Sekarang
BARITOKUALA	11900	9000 ▼
INDRAMAYU	8500	8500
LEBAK	9600	9600
SUBANG	10200	10000 ▼

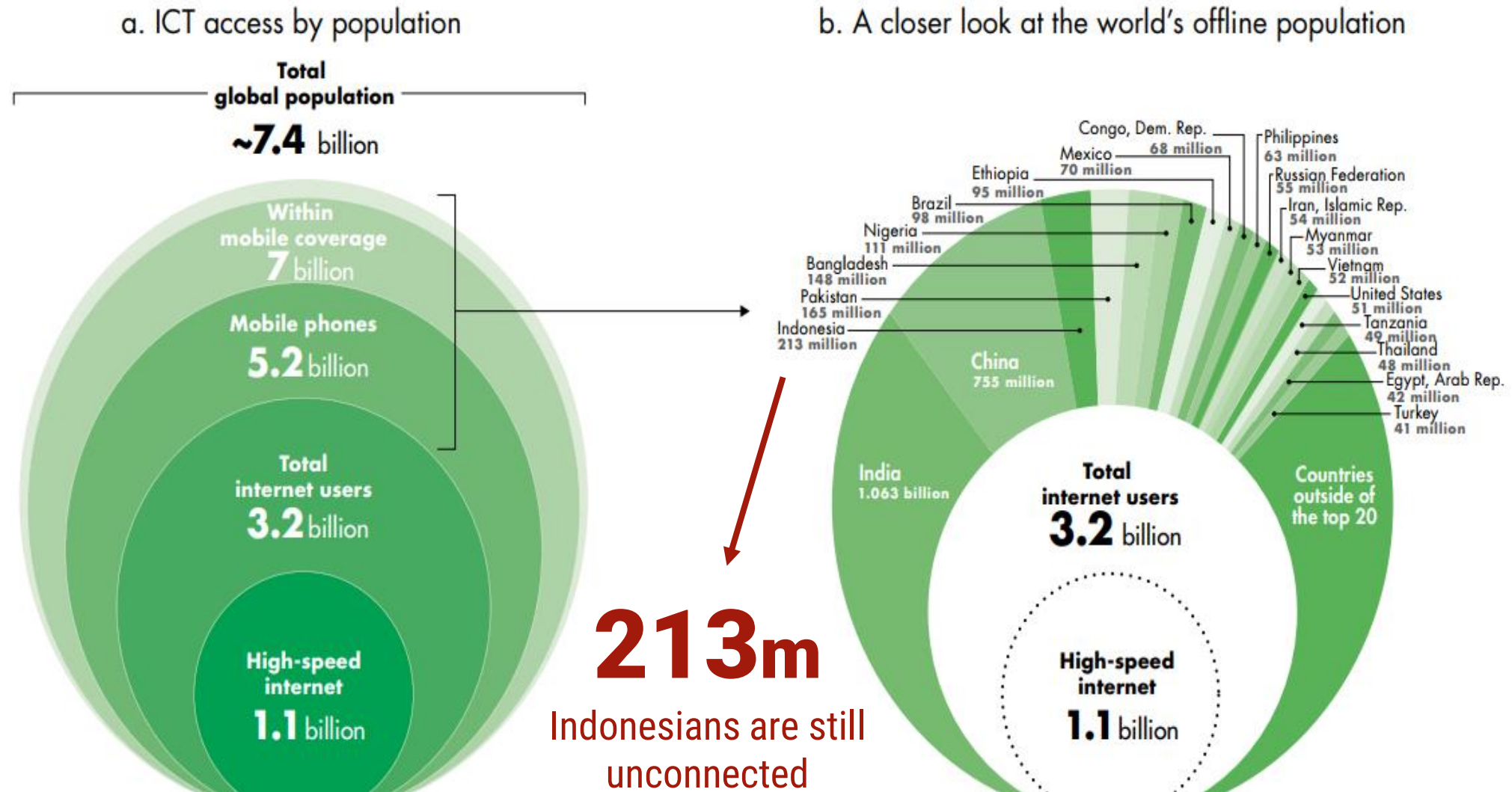
New technologies can also be utilized to improve the delivery of services that the poor need most.



“e-health” services can reach remote and rural areas to provide:

- Health information (on the importance of ante-natal care, immunization, breastfeeding)
- Text message reminders for routine medications and treatments
- Tracking of inventory in remote health facilities
- Tracking of patients with special needs

However, the emergence of innovative digital businesses could increase the gap between the connected and the unconnected.



The new disruptive technologies could create a “winner takes all” phenomenon that hurts low-skilled workers and low-productivity firms.

Traditional industries/jobs will face stiff competition from those who can harness technology



Automation in manufacturing could lead to large job losses for low-skilled workers



All of these risks must be addressed through a comprehensive suite of reforms.

Digital infrastructure: Infrastructure investments are needed so that rural and remote areas have access to internet

Adaptable workers: The labor force must be internet-literate and ready to adopt new skills that are difficult to automate

Conducive regulations: Regulatory frameworks must lower barriers to entry and promote new forms of competition, rather than protecting “traditional” firms

Accountable institutions: Governments must be ready to exist within an environment of transparency and citizen participation

LEVERAGING ADAPTIVE POLICY MAKING

Policy making needs to become more adaptive, agile, and evidence-based in the new world.

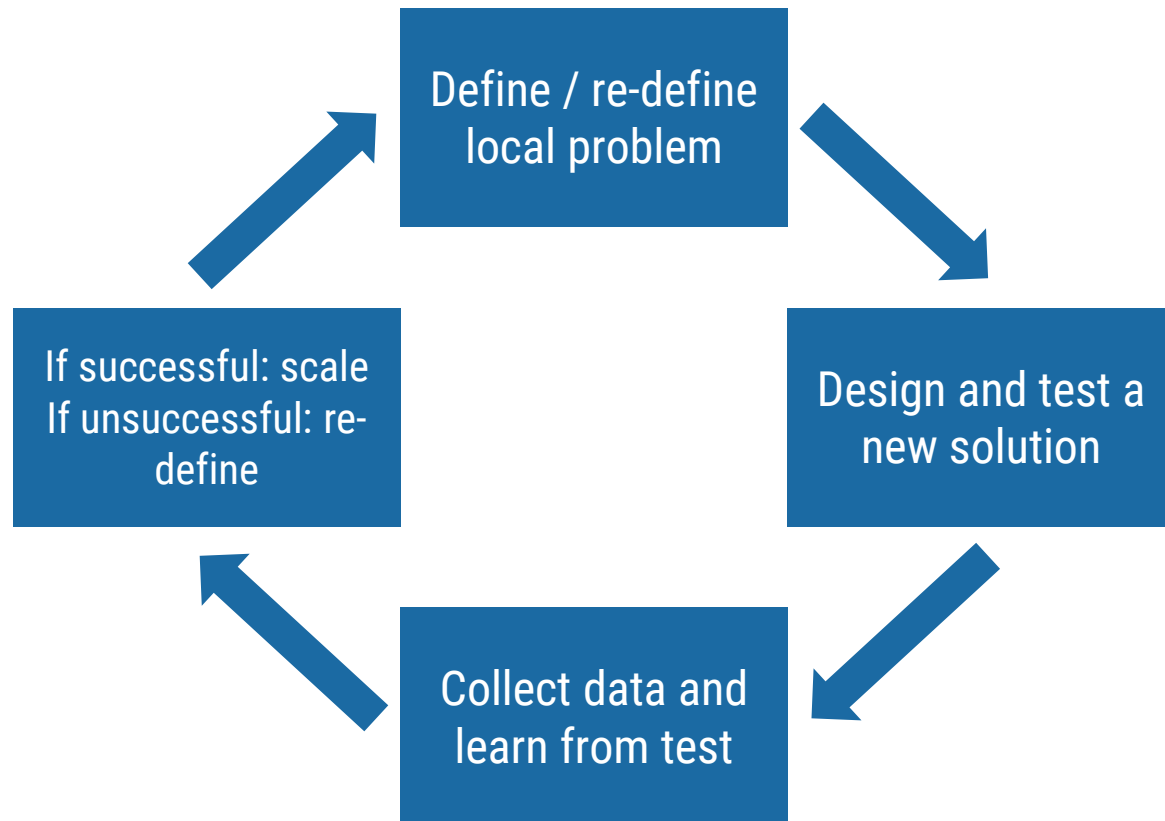
**Policy should not be one-off or static:
context changes rapidly over short periods**

**Policy is not one-size-fits-all across localities,
but there are always lessons to be taken away**

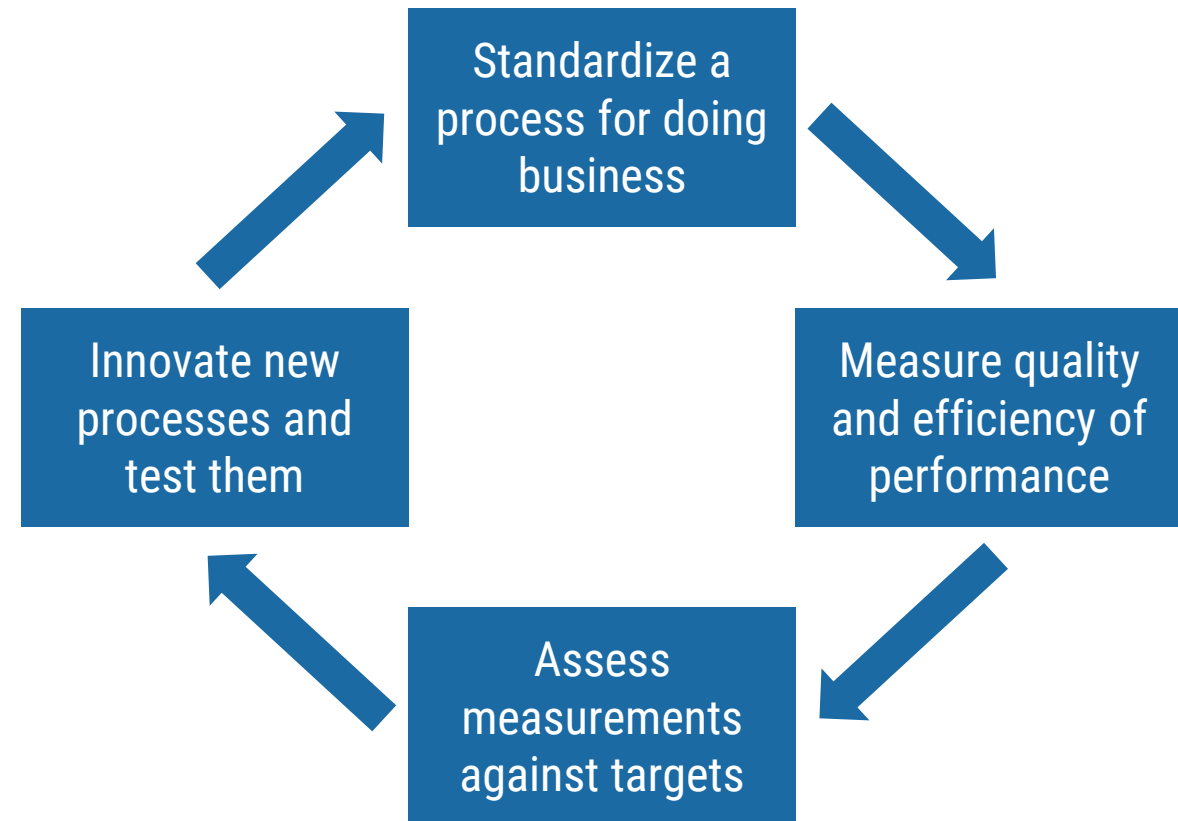
**There are new ways to generate evidence of
what works and what doesn't in a short time**

Adaptive policy making is a process of continuous iteration and learning, constantly finding ways to improve processes and achieve better outcomes.

**Problem-Driven Iterative Adaptation
requires organizations to constantly learn**



**“Kaizen” approach is constantly innovating
to improve results and efficiency**



One part of the learning process is to identify and analyze “positive deviance”, or examples of success because of deviation from the norm.

In 1991, 65% of children in Vietnam were malnourished

Save The Children examined families who were poor but avoided malnutrition, to learn from their behaviors

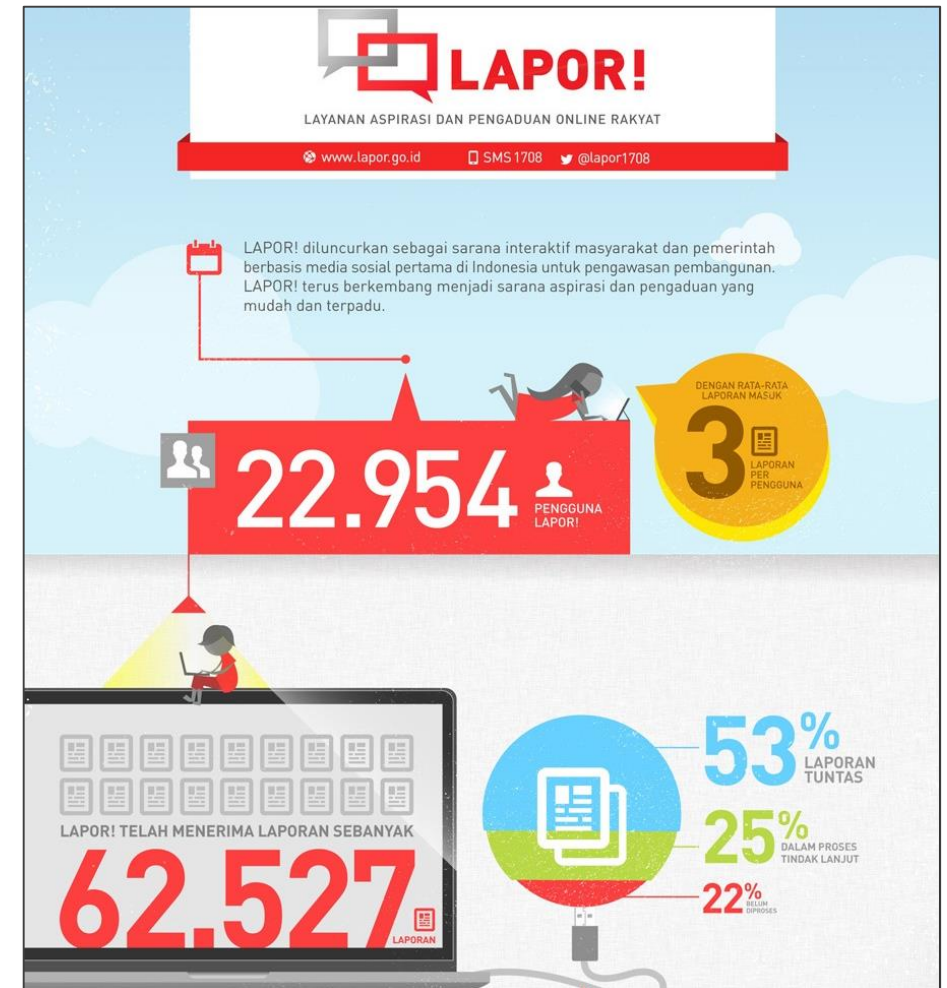
The “norm” was to feed children the same food as adults, at the same time. The “deviants” added tiny shrimps, crab, and fish to their children’s meals and fed them more often

Another key part of the learning process is utilizing new methods to measure and monitor performance.

IOT allows detailed measurements at individual/HH/firm level



Citizen complaints/aspirations can be captured through crowdsourcing apps or social media analysis



Information technology can also be leveraged here to spread lessons and encourage collective action.

Spread positive deviance stories

Enable and encourage “copycats” to replicate successes

Tackle large problems collectively

**THESE STRATEGIES ARE ALL NEEDED
IN TANDEM TO HELP THE POOR.**