
Utilising Applied Behavioural Research to Execute Subsidy Reform in Kuwait

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Agenda

- Motivation
- Goal
- Methodology
- Proposed Nudges
- Testing Nudges

Motivation

- Electricity and water subsidies cost Kuwait government about US\$9 billion a year or almost 11-19% of budget
- The IMF estimates that energy subsidies are somewhere between 5%-6.5% of GDP
- The household sector consumes 50% of total electricity produced.
- Tariffs were increased in 2016 to all other sectors but the household.
- **The national assembly rejected.**
- A significant factor delaying ratification of subsidy reform is the widespread public objection; reforms will impact citizens' lifestyles and the choices available to them.

Goal

The goal of this paper is to identify behavioural interventions, or ‘nudges’, that could help save electricity in the household sector. Understanding citizens’ behaviour with respect to reforms and communicating effectively around such sensitive topics can help reduce conflict and gain support and trust of citizens. This should accelerate economic reform and foster sustainable development for Kuwait.

Methodology

- Behavioural literature review
- Conducting focus group interviews.
- Comparative study.
- Testing the cultural appropriateness of the nudges (instrument evaluation) through Focus group interviews.

Methodology- Behavioral Literature

- Loss aversion
- Status quo bias
- Feedback
- Goal setting
- Timing
- Personalization
- Salience and Framing
- Intrinsic and extrinsic rewards
- Social Identity effect

Methodology- Focus Group Interviews

- Lack of information regarding the electricity and water subsidy cost
- Electricity and water meters don't reflect consumption in real time
- Lack of benchmarks to which citizens can compare their consumption
- Lack of confidence in the government's ability to efficiently use savings
- Concerns regarding inflation
- Hopes that the government will write off citizen's bad debts
- Views that the government does not convey seriousness with respect to saving energy.
- Views that the government is not aggressive enough with respect to implementing certain measures

Potential Nudges

- **1- Salience of subsidy.** Restructuring information of the electricity bill in a graphical.
- The rationale of these intervention is the exploratory research conducted has shown there are people not aware of the level of subsidy that is included in the electricity bill paid by Kuwaiti citizens. This intervention is essentially based on the psychological effect of framing.

Potential Nudges

2- **Activating social norms.** The rationale behind this nudge is that individuals who earn high income may find monetary saving from reducing energy not worth the effort. Instead, those individuals may find reducing consumption worthwhile if savings went to a good cause.

- The rationale here is we use the social identity of people as a motivator in contributing to a better community, the social pressure from the community will act as a deterrent for free riding behaviour.

Potential Nudges

3- Framing in the context of health, environment and children.

“Save energy today to protect our children from the harm of a ruined environment ”

“Sustainable energy use will protect our children’s health”

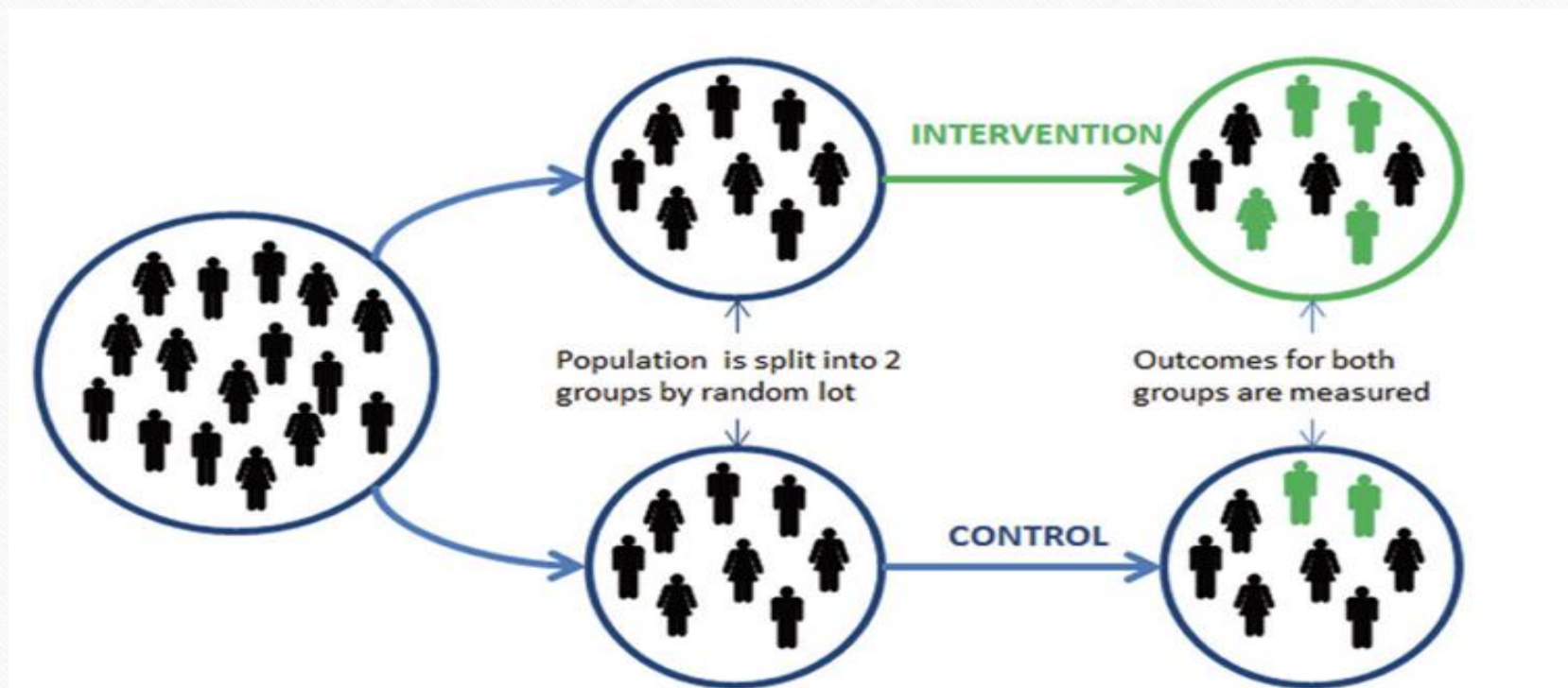
- The rationale is to reduce the psychological distance between citizens and the notion of being environmentally or economically sustainable, by reminding them to care for future generations.

Potential Nudges

4- Symbolic and Social Rewards. This nudge sets an award system for citizens who succeed in altering their consumption and meeting their targets. The reward doesn't not have to be financial, it can rather be symbolic and social. The use of 'achievements' can be shared via social media and could act as a motivator for sustainable performance or a basis for comparison with peers.



Testing Nudges



A sample of 1000 residential Villas with smart meters

Random Allocation

n=200

n=200

n=200

n= 200

n=200

Control Group
(No changes)

Restructuring
of billing
information

Restructuring
of billing
information
+
Savings for the
community

Restructuring
of billing
information
+
Savings for
your children

Restructuring of
billing
information
+
Rewards tied to
reducing
consumption

Thank you