THE BROOKINGS INSTITUTION
FALK AUDITORIUM

LEAN IMPACT:
HOW TO INNOVATE FOR RADICALLY GREATER SOCIAL GOOD

Washington, D.C.
Thursday, November 1, 2018

PARTICIPANTS:

Introduction and moderator:

GEORGE INGRAM
Senior Fellow, Global Economy and Development
The Brookings Institution

Presenter:

ANN MEI CHANG
Nonresident Fellow, Global Economy and Development
The Brookings Institution

Panelists:

PATRICK FINE
Chief Executive Officer
FHI 360

ANNE HEALY
Chief Innovation Officer
Evidence Action

JIM RICHARDSON
Assistant to the Administrator,
Bureau of Policy, Planning, and Learning, USAID

* * * * *

P R O C E E D I N G S

MR. INGRAM: Welcome, everybody. I know it's late in the day, but I think we've got a program that -- has enough energy in it that will keep you alert. I'm George Ingram. I'm a senior fellow here at Brookings and in the last year I've become an acknowledged groupie of Ann Mei's approach to how you achieve results in development and social change.

A few of you will know Ann Mei from when she first moved to Washington from Silicon Valley to work at the Mercy Corps. Then a few more of you might've known her at the State Department, but most of you will have known her when she headed the Global Development Lab at USAID. Since then, she has been doing research and reviews and mainly using her own knowledge as an engineer, first as a software engineer and more recently as a social engineer to develop a how-to on getting to social change. And it's a how-to that is not a dry manual. It's a narrative full of anecdotes of organizations out there that are making change happen and how they're doing it.

In a time when there is growing demand and focus on creating results and not just talking about nice objectives, her book is badly needed for those of us in Washington and across the country who are pursuing social change. If you read her book, and she will be outside in the lobby afterwards, autographing copies, you will find the extent to which she brings her own experience, including the message from the IT sector that we have to take risks and we can't be scared of failure. In fact, we have to embrace failure and learn from it.

Not to delay Ann Mei Chang telling her story and what we need to hear and how we can adapt and iterate for better results. Join me in welcoming her up to the podium to make her presentation, which will lay the background for what I'm expecting

will be a very robust panel discussion. Thank you. (Applause)

MS. CHANG: Thank you so much, George. I really can't thank you enough for reading the early drafts, convening expert panels for roundtable discussions early on and now for this fantastic launch event. And I want to thank our panelists, Patrick, Anne, and Jim, for spending time with us today. I can't wait to hear their perspectives. We were already having a great discussion before we came out here. But I also want to thank all of you. It's like I'm just overwhelmed to see so many of my favorite people in the world all in one place. It almost makes me want to write more books. (Laughter)

So when I decided seven years ago to switch careers and spend the second half of my career focused on global development, I had no idea where that was going to take me. And as I dug in, I began to worry that despite the incredible investment we're making in resources and dedicated people in our good intentions, we just weren't making enough of a dent on the problems that plague our society, including global poverty. Of course, I came from this crazy world of Silicon Valley, which has expectations that are incredibly audacious about the pace of progress to expect, right. That what's cutting edge today is likely to be obsolete next year.

And so, these technological advancements have just caused the pace of change around the world to continue to accelerate. And it's become clear that as a global development community, if we're going to keep up, let alone get ahead, we're going to have to figure out how to accelerate our own pace of change.

And so, of course, to put that in context, we've adopted this vision for the world that we want in the SDGs. The unfortunate thing is that three years in, we already know that we're not on track. We've heard about the 2- to $3 trillion funding gap each year that we would need to meet the SDGs. And I would say we focus a lot of attention

on how do we get more money? But we need to think more about how do we get more

bang for the buck for the dollars we do have today? And, of course, that means

innovation.

But for all the hype about innovation that's coming up, too much of it I

think has been focused on the flashy, big new ideas. But in my experience, innovation is

not nearly so sexy. It's about the blood, sweat, and tears that goes into testing, failing,

iterating, to get from that germ of a good idea to something that can make significant

impact in the real world. In other words, what I would say is impact is -- innovation is the

path, but impact is the destination.

So one book that's really captured the basics of how innovation really

works in Silicon Valley is a book called *The Lean Startup* by Eric Ries. It came out about

seven years ago and Eric talks the process of innovation as a way that we build things

under conditions of extreme uncertainty. Now, this is, of course, true for tech companies,

tech startups who are trying to build products no one's ever built before. But I think it's

also true, if not more so, in global development, where we're trying to solve intractable

challenges that have been around for ages that no one has sufficient solutions to.

And so when we have such incredible challenges, we need to bring a

different set of tools to the table. In the case of global development where we have

solutions that are sufficient, maybe like vaccines, what we need to focus on is effective

execution to deliver them. But if we don't have a solution that's good enough or that's

scalable enough, instead we need to take a different approach. And rather than focusing

on reliable execution, we need to focus on how do we learn much faster and speed up

the pace of learning?

Of course, innovation in the global development sphere is much harder

than building that. And that's the aim of Lean Impact, to look at how we can adapt these

best practices of innovation that were pioneered by Silicon Valley, but now used around the world for the context in which we work, which is much more complicated.

So in the course of writing this book, I ended up interviewing over 200 different organizations around the world, across different sectors, both domestically and internationally, small and big, and tried to learn from them, try and learn from leaders of what is causing the organizations who are delivering outsized success to succeed, and came up with three principles that really captured the essence of that.

The first is to think big. In global development, we tend to plan based on constraints. The constraints of the dollars we have, the constraints of the people we have, the size and scope of a particular grant, and we think, okay, with these resources, what can we do? How much good can we do? Instead, what I'd argue is that we should be planning based on the size of the need. What is the real need in the world? What is it going to take to move the needle on a problem?

Now, to put that in context, if you look at the progress we've made over the last 30 years or so on classic global development challenges, like access to clean water, sanitation, and electricity, we've made slow but steady progress, which is good. And we look at these challenges and we say, hey, we're trying to reach people who are living in rural areas who were very poor. It's challenging, but at the same time, in these same places, adoption of mobile phones skyrocketed. But why is that?

There was a technology leap. There was a business model that allowed for growth, and it was a solution that people really, really wanted and demanded and often would buy minutes for their phone before they would even buy food. And so, of course, not every solution is going to look like this, but I'd argue that we should be striving for this kind of progress when it comes to the work that we're doing.

And so, of course, scale in the social sector and the global developments

sphere looks different than it does in the private sector. Let me give you an example of what that might look like by talking about a social enterprise called Vision Spring.

So Vision Spring decided to focus on an invention that's 700 years old that has been proven to increase productivity and improve learning potential, but that 2-1/2 billion people need and don't have, and that's eyeglasses. Now, this isn't a brand new invention or something, but it's something that's been around for a long time and people still don't have access to. So how do they get there?

Well, they did what, you know, most nonprofits would do. They decided to start in two geographies, El Salvador and India in their case. And they sent out vision entrepreneurs to sell low-cost eyeglasses in these communities and they came back with fantastic results. You know, they had stories of people who thought they couldn't see being able to see again, kids being able to learn, people being able to work again. You know, a lot of nonprofits would be happy with that, but they thought that's not enough. We need to do more. And so they pivoted.

Their next strategy was a hub-and-spoke model. They would set up vision centers in the cities where they would access higher -- people with more financial resources, be able to make a profit from these higher end customers, and then cross subsidize outreach to rural communities. And through this mechanism they were able to become financially self-sustainable. Another huge success in the nonprofit world, but still not enough.

So they thought if we're going to get to 2-1/2 billion people, even though we're financially self-sustainable, we're never -- it'll take us decades to build out the infrastructure to get to all the people around the world. So instead they decided to pivot again, and they partnered. For example, they partnered with an organization in Bangladesh you may have heard of called BRAC and leveraged their community

healthcare worker network to distribute eyeglasses across the country. And through this

partnership, they've together now distributed over a million pairs of glasses and through

other partnerships, they're up to now 4-1/2 million, but still not enough.

So their latest pivot was that they recognize that these challenges are

not something we can solve organization by organization, but that there's market failures

and policy failures that are getting in the way. And so they set up something called the

EYElliance, that's a public-private partnership that brings together eyeglass

manufacturers, governments, and nonprofits together to try to figure out how do we solve

these problems at a systems level. And just to give you an example, they signed an

MOU with the government of Liberia so that they're integrating vision care throughout

their system so that their health network is including vision care and their public schools

are also including vision care for the kids.

And so this is what one path of scale might look like when you know an

organization like Vision Spring keeps their eye on that prize of 2-1/2 billion. How do we

get there? And doesn't give up until they find a path.

Now, once you have that audacious goal, the temptation is to start

executing and deliver as much as you can, as fast as you can, but we can actually do

much more and make a bigger impact if we start small. There's a real trade-off between

what it takes to execute and predictably deliver short-term results and the risk appetite

and experimentation iteration that's necessary to find ways to bend the curve, to deliver

dramatically greater, longer term results.

Too often in global development, we like to plan, we like to spend a lot of

time planning, whether that's planning in terms of a program design, in terms of a grant

proposal, in terms of a work plan. We do a lot, a lot of planning, and then eventually we

deliver. We actually start executing out in the field. And by that time we've built up a lot

of risk. There's a lot of things that go wrong. Very few people can design anything this complicated perfectly when we're working in uncertain environments that are highly dynamic. And even if we have something that sort of works, it can always work better.

And so rather than sort of this big bang theory of building up all your risk and then delivering, what the lean approach essentially proposes is that we take smaller steps that we look at ways that we can do de-risk over time, identify the biggest risks, test for those risks, and get out there and see what happens. See what happens in the real world, learn from that, improve what we're doing, and then continued to deliver and ramp up over time.

So in lean startup parlance, what Eric coined the term "build, measure, learn," which is the sort of core of lean startup and it's essentially a feedback loop. And this isn't rocket science, it's based on the scientific method. And the idea is if you have a potential solution to a problem and you don't know that it's going to work, you test it. You form a hypothesis, you know, you have a theory about what's likely to happen if you deploy your intervention. You build an experiment, something we call an MVP or minimum viable product. Then you measure, you see what happens, you gather data. What were the results? And then you learn if it worked, maybe it now it's safe to double down. If it didn't work, it's time to modify your solution or maybe take a completely different path.

And what's essential here is not either the build, the measure, or the learn, but how fast we can drive the feedback cycle. You know, when we look at driving the feedback cycle through the traditional means of a midline evaluation or end line evaluation that can take years before feedback gets built into your next design. And so the goal is to look at how can we drive this fast enough so we can go move from years, to days or weeks where we're learning something and improving what we're doing?

So let me give you an example of what that might look like. This is a social enterprise in Kenya called Copia Global and they set out with a goal to provide a much wider range of consumer goods to people who are living in far off rural areas. And so traditionally. what you might do is you might build warehouses, transportation infrastructure, recruit an agent network, print catalogues or build an online catalogue, and it would take a long time and a lot of expense to do that. So instead, Crispin who is the CEO of Copia Global, decided to do an MVP.

He went to the local sort of Walmart equivalent, the Nakumatt, and took pictures of a bunch of products that he thought people might want. And then he printed about a handful of copies of catalogues, brought them out to the villages, gave them to potential agents and then stepped back to see what would happen.

Turned out people, you know, had a bunch of questions. Would people order goods from a catalogue? It turned out people did. They started getting orders and when they would get an order, he would actually personally run to the store, buy the product, and hand carry it to the village. Not something that would scale, but something that he could do within the matter of days.

Another thing they learned was what kind of products would people buy? What were people interested in? Let them focus down on the products that people really wanted as they built out the business.

But there was one surprise. They initially thought that the best agents that they were going to recruit were people who were kiosk owners, who ran these sort of corner store kind of shops that sold basic supplies. But it turned out the kiosk owners actually didn't want to sell stuff in the catalogue. They were much more interested in moving the goods that they are carrying in inventory in their shops already.

So by experiment then they discovered that a much better agent would

be someone who has a complementary business, like a hair salon, so that when people were sitting there waiting to get their hair cut, they could flip through the catalogue, maybe buy something, and it was am additional stream of income for the business owner.

And so when we're trying to design a solution for social good, we want to run these small experiments to learn as quickly as possible. And I think, I believe, that we need to do those across three dimensions in order for social innovation to succeed and that's value, impact, and growth.

So value, the question is, is this something people want? Not just want it, but will they demand it, come back for it, tell their friends about it?

Impact, if it's something people want, does it actually work? Does it deliver the social impact or benefit that we had hoped for?

Growth, people want it. It delivers impact. Can we now get it out to some substantial portion of the people who could benefit?

And so when we test for value, impact, and growth, and look at what are the things that we need to deliver in each of these dimensions, run those experiments to see if they are, in fact, true, then optimize to maximize how much value, growth, and impact we deliver, then we have something that can potentially make a huge difference.

So the final principle of lean impact is to seek impact. You know, we have our big, audacious goal. We're running these small experiments. Now what we need to do is relentlessly keep our eye on the prize, keep our eye on that goal, and keep driving ourselves to get to that ultimate impact, like Vision Spring did.

One of the things that gets in the way is that we tend to fall in love with our solutions where we should be falling in love with the problem. Now, what does that look like? You know, you've all heard about people who are enamored with a particular

technology, like blockchain or drones, and just trying to figure out some way that's going

to solve a real problem in the world; or we fall in love with just the intervention that we

came up with because we've seen it work for some people. It's a thing that we're pitching

to funders every day and so we drink our own Kool-Aid and we think it's the best thing

since sliced bread because that's what we're telling people; or we just getting right to our

own organization and what's the role our organization can play where sometimes it's

better if you adopt a solution that somebody else came up with or even merge with

another organization. So if we keep our keep falling in love with the problem, then we'll

make choices, and we should make decisions based on what's really going to solve the

problem in the world that we're out to tackle.

So it all starts with an audacious goal. You know, I hear a lot of -- almost

all organizations these days are talking about innovation, but a lot of them, when you look

underneath the surface, what people are incentivized to do is still drive incremental

improvements. And if you can achieve your current goals and your current objectives

individually as an organization with business as usual, why take risk? I mean you just

have the possibility of failing. So I think an audacious goal is the foundation for

innovation that if you have a goal that you can't achieve with business as usual, then you

have to take risks, you have to think out of the box, you have to try something different.

And then once you do, we need to focus on the metrics that matter to

find our path, to chart our course to that goal. We tend to, in this world, focus on what

Eric calls in his book "the vanity metrics." These are the absolute numbers, such as a

number of people touched or reached that, you know, nonprofits tend to put on their

websites, funders tend to talk about. They mean absolutely nothing. If you reached

10,000 people, did it work? Did it actually help those people? And if it did work, could

another organization have taken the same resource and reached more people or done

more good? These absolute numbers don't tell us very much.

Instead, if what we care about is impact, we need to focus on unit metrics or innovation metrics, things that tell us such as what's the success rate? What's the adoption rate? What's the unit cost? Because when we optimize those types of metrics, then they'll pay dividends over time.

So I just want to close by saying we need to shift our mindset. You know, as a society, we're too easy to please. If people say I am giving my money, I am giving my time to do good, we pat them on the back, but I think we need to demand more. If you think about how companies work, companies are incentivized and, in fact, regulations enforce that they need to maximize shareholder value and maximize profits.

I believe what we need to do as a global development sphere is to demand of ourselves and of our colleagues that we not only deliver some impact, but we maximize the impact that we can deliver. And what that means is setting those audacious goals, testing and experimenting to find better solutions that will help us get there, and relentlessly staying focused on that task. Thank you.

MR. INGRAM: Okay. Thank you, Ann, that was wonderful. I'm going to briefly introduce the panel. You have their bios in front of you, so I'm not going to go into great detail.

Jim Richardson spent a career on USAID as -- I mean, on the Hill, as did I. As did I, and we saw many instances of people falling in love with the solution, not the problem. So he and I can talk about that in spades. And for the last two years he's been at USAID. He is now assistant to the administrator for the new bureau for the Office and Bureau of Program Resources and Performance. And more importantly, he has lead the agency through their redesign transformation process. And I have to say and really commend Jim and Mark Green for pursuing a very open, collaborative process that

engaged the career staff and engaged the outside stakeholders.

Anne Healy also has served at USAID. She is now chief innovation officer at Evidence Action, which we'll hear a little bit about. And when she was at AID, she worked in the global lab.

Patrick Fine had a career at USAID, at the MCC, and he's now CEO of a very large organization, FHI 360. So thank you all for joining us today.

And Patrick, let me start with you. You lead one of the largest aid implementers out there. You're multisectoral. What is your experience in what Ann Mei's prescription is? Do they ring true? Do most of your funders want you to follow a preordained process step-by-step with little flexibility? But also, do you have some funders that give you some flexibility and allow you to iterate?

MR. FINE: So I would say that we're in love with the solution.

MR. INGRAM: With the solution. (Laughter)

MR. FINE: I think most people know that we think of ourselves as a social enterprise and we compete for programs across the world. And those programs usually come with established performance metrics and usually with a pretty defined a set of methods and approaches so they don't normally have a lot of flexibility designed into them. And the role that we often have is to figure out how to get the most results out of what the funder is asking for.

With respect to the principles here we see two ways to apply them immediately. One is when we think about how do we approach a challenge, whether it's a challenge that a funder is asking for or whether we're approaching a funder to seek resources to address a particular issue, the idea is laid out in here, particularly the minimum viable product.

So starting with something, trying it, seeing how far it takes you, and then

iterating around that we see as very applicable to what we do. And so we've started to try to incorporate that. It's not just an approach, it's a mentality. It's how you think about approaching the problem into the work we're doing.

The other place where we're able to apply this and we have a lot of action going on is in the management of our internal processes. And there, in a sense, we have more flexibility because those are really under our control. So take human resources. We set objectives for we want to provide a better working environment for our employees and then we can take these principles and apply them to how do we think about achieving that objective or with respect to our finance systems or our communication systems that have to span across the globe. There, because that's more within our control, we can develop minimum viable products. We can iterate on those. We can set metrics. We can pretty much follow up game plan that's here.

MR. INGRAM: So two quick follow-up question. Have you ever gone back to a funder and say this isn't working and we need to try it this way? And do you know of any funder out there that you could go to and say there's this social problem out there, we don't know how to get there, but stick with us for a little bit while we try some new things and see if we can figure it out?

MR. FINE: Yeah, I mean we work with -- we have over 130 unique funders, so we work with a wide variety of governments, agencies, foundations, corporations, high net worth individuals, and so it depends. Take USAID, because USAID is our largest individual funder, it's contextualized there. There will be some offices in USAID where you can have a very honest conversation, a very exploratory conversation around how to best -- how to frame the problem, how to best address it. And then you can apply some of the lessons that are laid out here. And then there may be other offices that really are not open to that approach. They want you to do it their

way. They've laid out the roadmap and your job is to move down that road.

And it's the same thing with foundation funders as well. There are some where we will proactively approach them with ideas and, and then we will co-create a program with them. And that is one where there's a lot of joint discovery.

There are other foundations that are very prescriptive in how they want things done, more prescriptive than USAID in some cases.

MR. INGRAM: Is that right?

MR. FINE: Yeah.

MR. INGRAM: Okay, thanks.

MR. RICHARDSON: Can I jump on?

MR. INGRAM: Please, yeah.

MR. RICHARDSON: You know, so I appreciate the comments and I think Ann Mei is definitely onto something here that we do need to make sure that we are thinking about outcome or impact in a way that is driving our programming and that we need to make sure that our programming isn't so prescriptive in order to get a very narrow set of

Results. If we at USAID believe that we have all the solutions, then we've already failed before we started. And if we even just limited it to just our core partners, our top 20 partners, and say they have all the solutions, we probably also already failed. Right?

So how do we move past that? How do we move to a true co-design, co-financing, co-implementation type of approach that is respectful of what we're trying to accomplish, respectful to taxpayers, respectful to aid effectiveness, but really focusing on how do we change the conversation moving away from input or output-based results or really an impact or outcome-based result? And it's just really a change of a framework and like a plug that we're going to have USAID will have a brand new acquisition and

assistance strategy which will really do just that. We'll really try to set the standard and say, you know what, this concept of setting up rigid rules of RFP type while there still is a role for that, what about a statement of objectives? What about taking a more innovative approach to the procurement or the tools, and then also having the rest to be able to do that.

So it's really exciting to be able to move in that direction.

MR. INGRAM: So I'm expecting that to do that you're going to have to develop MVPs, minimum viable products, and then iterate and that you'll have your own experience of finding things that are working and things that didn't work out that well that need to be rethought.

MR. FINE: Yeah, I mean it's one of those things. When we find something that isn't working, we have an obligation to either shift funding, shift approach, or stop what we're doing. And the challenges and the development construct, and I think Ann Mei's book has put it really well, the idea that we can just continue to do the same things year after year expecting minimal results and say, wow, aren't we great people, that is really -- you know, that's not success. So how do we make sure that we are shifting that conversation away from that approach?

And look, the new strategy has to be iterative, right? If we believe that the future state is the thing we decide tomorrow and, therefore, it is perfect, again, we've already failed. And the idea of the global development lab and what we are doing in the transformation, we certainly aren't saying it's terrible. In fact, we say it's awesome. In fact, we need to take it to the next level. That iterative approach is so essential across all the spectrum from innovation to procurement to constantly grow, constantly develop. This isn't a stagnant world and it's certainly not -- should never be a stagnant organization or, you know, development shouldn't be stagnant.

MR. INGRAM: So, Jim, carry this on a little bit. As part of the transformation, you all did a listening tour --

MR. RICHARDSON: We did.

MR. INGRAM: -- of your partners.

MR. RICHARDSON: That one, too. We started with our employees.

MR. INGRAM: And started with your employees and got a list of complaints and suggestions.

MR. RICHARDSON: Sure.

MR. INGRAM: And it was a quite an open process. Yeah. How does Ann Mei's book relate to that? And what were the couple of things that you heard there that maybe Anne's got some solutions to?

MR. RICHARDSON: Yeah, I think some of the things I've already talked about, but when we started our procurement reform, every administration, every administrator loves the concept of procurement reform. Even when I was on the Hill and did other things other than development, I started in this sort of the defense national security space actually, they also love procurement reform because it's like the gold standard and how it's going to fix everything.

It's not necessarily going to fix everything. It'll be a great step forward. But it was really interesting how the team said, you know what, first of all, we need to listen to our partners in addition to our employees because, again, we can't just believe that all great ideas live in the Ronald Reagan building, let alone just in our missions. And so we need to make sure that we're hearing about the pain points and struggles, opportunities, and so forth from our partners. So that's what we've done.

Some of our partners love certain aspects of what we do. Some of the partners hate certain aspects of what we do. Some of the partners disagree about what's

good and what's bad. So there's a little bit of we have to -- there isn't going to be a

perfect solution where everyone's going to say, yes, that is exactly right.

But in terms of what Ann Mei has put forward about being much more

focused on outcomes, we do need, and I think our partners agree with this, is that the

idea of coming up very rigidly for rigid objectives, rigid solutions, and saying this is the

only way to get to X, you know, there may be a case for that in certain circumstances. If

we're buying textbooks, right, that's fine. But if we're trying to find a more innovative

solution to accomplish a great challenge, let us hear from the voices, from the people

who are passionate, who are doing this, or the local organizations, the smaller

organizations. Why limit ourselves to just ideas that we have in our own head?

And so that is really the concept of what we're trying to embrace. Again,

co-design, co-implementation, co-financing, it is -- we believe that it will be an important

step forward. And again, just as all good innovators and ideas, we need to make sure

that we're constantly being iterative in this and looking for the pain points from the

strategy and adapting and constantly having a learning apparatus, which is another thing

we haven't really talked about our transformation, but we are going to be including. In my

new bureau, we're including an office that's going to be this constant improvement, not

just in the program cycle, but in the systems at large because we always want to make

sure that we're constantly learning, evaluating, and improving USAID.

MR. INGRAM: Great. Anne, you are the chief innovation officer, which

sounds like you are the audience for this book or maybe you should have helped write it,

for a very unique organization called Evidence Action, which I think suggests that you all

act upon evidence. But I doubt very many people know about this organization. So give

us a little bit about it and then tell us how Ann's prescriptions relate to how you all act,

how you all do your business.

MS. HEALY: Sure, yeah. Well, we do have a very intuitive name for a reason. So Evidence Action is a global nonprofit, much smaller than some of the other institutions represented up here, that focuses on taking interventions that are backed by rigorous evidence in global development and helping to bridge the gap between that promising evidence and getting that evidence to cost-effective impact at scale, reaching millions, tens of millions, and even hundreds of millions. So we work across sectors, largely in Africa and South Asia, and work very closely with a leading economists, public health specialist, behavioral design experts, technologists, and especially governments actually.

So Ann Mei, I used to work with her at USAID and have really valued her mentorship and thoughts on the lean impact approach. I think it's pretty central to how Evidence Action works.

I think, you know, a few of the main points that are particularly applicable to our model, one, as Ann Mei said in her opening remarks, innovation tends to be seen as sort of the shiny objects and new products, something tech-based, but it really is about the long, hard slog to getting something that may actually be a very non-shiny object thing to millions and millions of people, especially some of the hardest to reach communities and least profitable to serve. So I think that is really central to our work. We are not working on a commercial pathways to scale. We are working really squarely in the public goods space where you're often dealing with products and services that are not pull products. They are push products that have a lot of externalities and around which there is very little opportunity for commercial pathways to scale.

Another part of lean impact that really resonates with our approach is the staged approach to getting to your big aspiration, so very much starting small, to not only have an iterative process, but to also de-risk your engagement on an early stage

intervention and enable you to calibrate your investment appropriately and pivot quickly if

through that process you identify something not working as well as it should be or not

having as much cost effectiveness or scale potential is it should.

And finally, I think just throughout that process, always going back to

your key touchstones around is something working? Is it having impact? And how do we

know that from both a rigorous evaluation perspective, but also an ongoing monitoring,

data-driven, decision-making perspective? Not only is your product or service having

impact, but is it delivering good value for money? Cost effectiveness is really central to

how we think about things. The unit economics really matter for that.

And finally, scale. We operate programs that are reaching millions of

people, tens of millions, hundreds of millions in some cases. And really focus on deep

partnerships with the true scalers, which, frankly, very few NGOs themselves are ever

going to reach tremendous scale, especially when you're operating in the space of public

goods and services. And how do you work closely with scale platforms like governments

and large-scale local NGOs to ensure that your cost-effective impact is also reaching

millions?

MR. INGRAM: All right. Thank you. Ann, what's your reaction to what

you've just heard?

MS. CHANG: Well, I'm excited. You know, a couple of things sort of

stood out.

One is it was great to finally meet Jim earlier in the green room and it's

great to see that a lot of these concepts are getting integrated into the USAID

transformation.

You know, I often say there's nothing new really in this book. Maybe I

shouldn't say that, people won't buy the book. (Laughter) This is all commonsense stuff.

I think it's hard to read the book and say, hey, you know, I don't agree with it. But it's really hard to do in our world.

And so the reason for the book is really to take the work that a lot of us have been doing around the edges where we can get the flexible funding, where we have the smaller, more nimble organizations, and figure out how do we move this to the mainstream? And that requires big organizations, big funders like USAID and big organizations like FHI 360, to kind of change their way of doing business, and that's not an easy thing. And so it's exciting to hear some of that happening.

One of the other reactions I had is also from a conversation we had in the green room earlier is when we talk about the rigidity of funding and sort of what that means. And where it really hit home to me in the interviews I was doing, sort of some of the saddest interviews I had were with organizations who would confess that they got a grant for something, they started doing the work, and they realized soon that it wasn't working. It didn't deliver any value. And they kept doing it anyway. And all of us, I think, we're relaying stories that we've had that experience, that this happens way more than it should because the way the structures are set up incentivizes that, incentivizes us to continue to execute to the plan that we agreed to because that's what we've agreed to do and that's what we're required to do. And so --

MR. FINE: That's what you're being held accountable for doing.

MS. CHANG: Yes, exactly.

MR. FINE: One of my questions about this, about this approach is how applicable it is in a public sector setting? And in the private sector setting where there is more control, I mean, whoever has the funding, they have control, and they can try different things. They can decide to pivot to something else. They can decide just to drop it. In the public sector you've got to a whole level of accountability that's imposed by

Congress in our case or by whoever is appropriating the funds that creates a different set of circumstances.

So in our case, we have a foundation that was set up, that we set up by selling some social enterprises we set up. We endowed -- we took the proceeds of the sales, we endowed a foundation, and that foundation generates unrestricted funds to our organization, and we use those to try things. So for those -- we call those strategic investments. For our strategic investments, we can apply this and use this kind of approach and we do. But for the public sector stuff where you have a accountability requirements --

MR. INGRAM: Let me challenge you on that, Patrick. Let me challenge you on that. I'm going to challenge you on that and build in here the issue of what the challenges are to lean impact. And after we have a 10- or 15-minute conversation on this, I'm going to turn to the audience and let you all get involved.

But I've always had this view that everybody talks about the constraints that the Congress puts on USAID and foreign aid. And it's true that it puts constraints on them from the point of view there's so much money for this, there's so much money for that. But they don't put constraints if there's $500 million, $800 million for education. But the Congress doesn't tell you how to do the education and they don't tell AID or the implementers how you're going to do that in the field.

Now, there is a lot of accountability and AID's got to make sure, you know, that the FAR is regulated, but seems like to me that the agency has more flexibility then is commonly thought about.

MS. CHANG: I think that's exactly right, George. And, you know, I actually would love to have Anne talk a little bit about DIV, which is at USAID, is accountable to the government, but where we were able to use a much different funding

mechanism that allows for this kind of flexibility and innovation. And I think similar

models at USAID, like the grand challenges that have been run and so forth, that it is

possible. It's just not -- it's a lot more possible than we might think, but it's not done as

much as it could be. But, Anne, could you share a little bit about DIV? Because Anne

led DIV at USAID and talk about sort of what we did there.

       MS. HEALY: Yeah. So DIV is USAID's tiered evidence-based

innovation fund, so certainly a small part of USAID overall. But it took or it takes a staged

funding model where, true to lean impact, starts small. So invest -- not invest, but

provides grants at a very small scale for early stage proof of concept testing to higher

risk, less proven ideas, and only gives higher grant amounts at a stage two and stage

three level as there's more and more evidence that an innovation has -- will have the

intended impact, will do so cost effectively and has scale potential.

       It focuses on a wide range of innovation types. Those can be a private

sector, social enterprises trying to reach a base of period pyramid customers. It can also

be through the public sector and with NGO partners, but it very much, I think, you know,

is a good example of USAID doing something that is more flexible than perhaps some of

the funding there.

       And I think even within the grant portfolio of DIV, there was quite a bit of

flexibility in how grant agreements were developed, how milestones with grantees were

negotiated and revised, revised when a grantee actually needed to pivot their approach

because they learned and, therefore, needed to pivot. And the agency was able to work

with those grantees to pivot with that grantee. And also had a degree of risk appetite for

earlier stage innovations and nontraditional USAID partners, much smaller scale,

sometimes five-person startups, than our typical USAID larger scale partners. So I think

it's a great example of USAID doing lean impact in a small part of part of the agency.

And, also, there was some success in working with big parts of the agency to leverage the flexibility of the development innovation ventures model in how they were doing their larger scale work. For example, we worked closely with the USAID mission in Zambia that was quite interested in doing more evidence-based, more outcomes-oriented education work to partner with Pratham, a leading Indian NGO, as well as the Poverty Action Lab at MIT, to work with the USAID Zambia mission to actually support the government in rolling out one of the most evidence-based remedial education interventions that's been tested in -- tested experimentally.

And so that's a good example, too, of not just sort of a standalone, more flexible, innovative shop in USAID doing its thing at a small scale, but also being able to leverage that approach to influence and partner with bigger parts of the agency in doing their larger scale work, but doing so in a way that leverages the lean impact approach.

MR. INGRAM: Jim, you want to jump in?

MR. RICHARDSON: Yeah, I'll just jump in on this. So I agree with George actually on the flexibility question. I mean, we have way more flexibility than I think any other government agency in the U.S. Government. And you know, we have nearly 30 different procurement mechanisms that were A&A mechanisms that we could use even though we consistently like to use grants, contracts, and cooperative agreements, thinking that's the entire universe of what's available. It is not. And we actually just choose to keep falling back into the same, oh, Congress has required us to put all of our $800 million in education. So that means X, Y, and Z.

Well, you know what? We purposely are limiting ourselves to say that this is the definition of education when everybody would rationally know that an enabling environment, looking at the governance structure, that is actually a huge portion and a huge ability to impact education.

So why don't we -- why do we choose to limit ourselves and we limit our own flexibility in a way that we don't need to? We've got to be more flexible, focusing on impact and outcomes in a way that is respectful for the taxpayers and tries to achieve what we're trying to accomplish.

And so we do have flexibility and too often we like to silo it into the lab or silo it into somewhere else where you can do innovation with 1 percent of our budget, but we're going to do the rest of it this way. What we are really trying to do as part of -- as we try to integrate the lab into program design, we want the lab and the innovative ideas to be right there at every single major program design element.

So we can say, is this the right type of instrument of choice? Is this the right -- is there a more innovative approach? Is there a private sector solution that's already been established? Do we even need to be in this space or do we need our resources elsewhere?

This type of matrix approach is essential. And it really starts pulling innovation out of the ghettoized space that we had wanted to place it in and try to put it in a more institutionalized place. That is hard to do. But it is the true commitment of the administrator to try to make it happen, and so we'll keep at it.

MR. INGRAM: Patrick --

MS. CHANG: I'll just give a brief note on that. In the lab we had a team called the Operational Innovation Team that we talked about as a team that was trying to hack the bureaucracy. And a guy who used to run the team, Bruce, would say, USAID has this 500-page manual of guidance and we use only about 50 pages of it because we've worn the ruts. You know, we know how to do that and it's too much work to read the other 450 pages. So we keep doing the same things over and over again. But there's a lot of flexibility that exists there.

We could do DIV with most of the money at USAID. We could program in that way if we really wanted to, but we're choosing not to. I don't think it's a restriction and regulation as I think it's a restriction in imagination.

MR. FINE: I agree and disagree. So, on one hand, I agree that there's a lot of scope within the existing -- even the existing rules. You were talking about procurement reform, but there's a lot of scope within the existing rules and within the existing instruments to do creative things, to build in more flexibility, to do things in a different way. I don't think there are many people in USAID who know how to do that and I think there's a massive failure of training.

MR. RICHARDSON: That's why we're having a worldwide contracting official conference next -- or in just a couple of months because it is essential. You're absolutely right.

MR. FINE: And that will require a change in mindset from people who see their role as being good stewards of funds, holding the partners, the contractors, or the awardees accountable for achieving the results and doing it in a very mechanistic way. So this is the part I saw.

On one hand, I do agree, a lot of scope for creativity that's not being used. On the other hand, there's my experience is that you have a situation where you can do that at a small scale. And I think of that as a philanthropic approach. So if you're thinking of it as a philanthropic approach where you're going to try new things with small amounts of money, it's a lot easier to do. If you're thinking of responding to the demands of your country partners, say the partner governments you're working with, they want a new payment system for their teachers or they want a new data information -- health management information system or they want systemic improvements in their operations. That philanthropic approach is not going to work.

And there it has to be more structured, it's more sophisticated, and that's where you start to run into the accountability issues that I see as not fully resolved in how you apply these -- how you reconcile these approaches, especially the changing course, the pivoting, with the mindset of accountability that we're going to hold the partners responsible for achieving these objectives.

And, you know, down to one thing we haven't mentioned is that the compliance environment in the U.S. Government is far more rigorous, far stricter, and in many, many cases more unreasonable than it has been in the past. So, you have very legitimate expenses that get disallowed and that put small organizations in a really terrible situation. So there's some reconciliation between accountability, the increased pressure on compliance, which sees things in a mechanistic kind of way, and then the call for flexibility or the ability to iterate, to test, to learn, and pivot.

MR. INGRAM: Patrick, thank you very much for your original point because it was fun disagreeing, able to disagree with you, and it generated a good conversation. I want one minute from all of us on other challenges, and you've just mentioned one, which is the compliance and accountability.

I'm going to mention the need for a large organization particularly, like AID, like FHI 360, which is doing many different things, to have strategies so they and their stakeholders know what they're about. And then you have lots of cases of people from the outside coming in, well, I want to do this. Well, it doesn't fit our strategy.

So, Jim, Anne, what are other challenges to moving in this direction? Just a minute and then, Ann Mei, a minute or two on how you deal with some of these challenges.

MR. RICHARDSON: So there are several challenges and we've worked through some of them, we've talked about some of them. But, you know, USAID and the

development community, like every community, it's hard -- change is hard. And you have to set very clear objectives of what we're trying to accomplish, why we're trying to accomplish it, and then put a set of tools available, easily available, and then have those to be trained and that expertise to be learned and to be able to then carry it out.

The idea that we can take a great idea and just say, you go just do it, that's actually not the way change works. So it is a very hard process. It is a very iterative process to implement and embody a change. And so while we have -- you know, we're coming up with a new structure, we have new approaches, we have a new procurement strategy, we have a new private sector engagement strategy, we'll have a new policy framework released to the next month, we'll have a new CDCS process released in two months, these are great documents to help us start internalizing the change, but we need to make sure that our employees and that our partners are well aware of this and we help them -- provide them the tools to actually go and accomplish it because great strategy without implementation doesn't work.

MR. INGRAM: Anne?

MS. HEALY: Sure. So, you know, I think one challenge a lot of organizations, especially on the implementation side like Evidence Action, face in thinking about how to embed more lean impact principles in their work is on the donor side of the equation. We've talked a bit about USAID here. And I think there's two elements to that.

One is around the very limited amount of funding for early stage, higher risk incubation in global development. Many donors like the idea of lean impact and like the idea of early stage iteration and testing, and they're really glad you do it. They don't want to pay for it. They want to buy the result of it. They're ready to sign up for the result of it.

Again, that's often a risk aversion issue. It's often a -- they want a well-

defined thing. And guess what? Early stage testing and experimentation often isn't well defined and it's often changing rapidly.

MR. FINE: Wait, and even worse, they want to buy it after it's proven, but they don't want to buy it from you. (Laughter) They want to take your intellectual property and give it -- you know, have somebody else do it.

MS. HEALY: Absolutely. So I think it's a lack of that type of flexible funding and you actually need, because you start small with lean impact, you need fewer dollars earlier stage, but you need more flexible dollars at that earlier stage, and it's actually very rare funding to come by. So that's one big donor issue I see and that we experience to some extent.

And then the other one is the lack of focus on impact and cost effectiveness and more of a focus on outputs, inputs, overhead rates. I think at Evidence Action, we're quite fortunate to have funders that are actually quite values-aligned with us. We're very selective about who our funders are actually. And Global Innovation Fund is one fantastic values-aligned funder that's also allowed us to pivot when things weren't working. And we did that collaboratively and transparently and in a way that was following the evidences as we were collectively seeing it.

Another is GiveWell, which is a charity evaluator that works closely with a number of Silicon Valley philanthropies. It focuses on cost-effectiveness as its main evaluation criterion for determining who to direct funds to. And it takes a lot of work to get funding, a recommendation for from GiveWell. But all of that work is actually this iterative approach to thinking about how you can get an intervention to be more cost-effective and scalable, in part because it's cost-effective.

And so I think that there are funders out there who have actually I think taken a lean approach in how they think about their funding models, but I think there are

obviously smaller scale philanthropies relative to the USAIDs and multilaterals of the

world. And so I think figuring out how those bigger funders, more mainstream funders

can adopt some of those principles will be valuable for I think lean impact-oriented

implementers like us.

MR. INGRAM: Great. Patrick, anything else?

MR. FINE: Yeah, one thing. I talked about needing to change mentality.

I was kind of looking at you, Jim.

MR. RICHARDSON: Oh. Changed a lot.

MR. FINE: And I'm encouraged by your comments about your efforts to

do that. But on our side, and we're a big organization, we constrain ourselves. So we

also have to change the mentality of ourselves and of our staff because we've grown up

having the risk appetite beaten out of us. And so we try to encourage people, be willing

to take risks or be willing to propose taking risks, and that requires a shift in mentality on

our side as well.

MR. FINE: So Ann, and then we're going to come to the audience, give

us some insights into your next book, how to overcome the challenges to lean impact.

MS. CHANG: Well, it's been interesting that this conversation revolves

so much around funding. That was certainly the biggest challenge that I heard from

organizations over and over again to say, hey, we read Lean Startup. We want to do this

and funding constrains just from doing so. And so it's great to hear sort of how USAID is

moving.

And one thing I would say just to kind of follow on to some of the things

Patrick said is one of the things that I have been really promoting among NGOs is we're

always looking for this kind of innovative funding from these innovative funders, which

are, as Anne said, few and far between. There's a lot more of these big pots of money

that are fairly conservative. And I've seen even USAID be willing to, in those big pots of

money, carve out a small portion, 5 percent say as an innovation fund. We carve out a

few percent for M&E, right? Because we know that if we do have any, we're going to do

the rest of the program better.

We should carve out also, it should become the norm that we propose in

our proposals a 5 percent or 10 percent innovation fund that either can be an inception

fund where we try a bunch of things first and then take the best things forward or it can

be something that you run aside. So you get the flexible funding as part of a larger, more

conservative bucket of funding and it's something that NGOs can put into their proposals

today.

And it might run some risk in some cases that you won't win the award.

But I think in the cases where you do it when the award, I think you'll end up producing

far better results because in that 5 percent, if you can even figure out a way to make the

other 95 percent, you know, 6 percent better, it'll more than pay for itself. And I would bet

you could do a lot more than that with that flexible funding because innovation isn't

expensive.

Just because we focused so much on funding, I just want to add one

more common thing I hear from folks that gets in the way of lean impact, which is that,

you know, if you're a tech company, measuring e-commerce transactions is very easy,

right? You measure the clicks, you can find out right away what happened, and you can

iterate. It's much harder when you're trying to measure long-term impact of systemic

change.

And so, you know, one of the things we're all familiar with is the theory of

change. We detail out these theories of change and designs and proposals and so forth

and too often they just go sit on the bookshelves. And so part of testing for impact is not

waiting 5 or 10 years to see whether the impact happened. You're just basically shooting in the dark at that point. But looking at the earliest steps in your theory of change, testing those to see whether they really hold true in the way that you think, and optimizing for them. Right? If you go from a 50 percent adoption rate in the beginning to an 80 percent adoption rate, you're far more likely to achieve greater impact 5 or 10 years down the road. So that's just one other dimension of, I think, some of the unique challenges that we face in the social sector.

MR. INGRAM: Great. Thank you. All right. I'm turning the program over to you all. David has a microphone. David, I see a couple of hands in the back. Why don't we start in the back for a change. And state your name and be very brief, please.

MS. LEE: Nancy Lee, Center for Global Development. So very briefly, you could think of this as an argument for changing the development industry and just sort of an angel network, venture capital industry in the sense that there needs to be some small upfront funding, very, very high risk, and you're going to have a lot of failures and there will be very few explosive, unicorn, successful companies. So if you do that, you really need a total change in mindset that what you're really after in aid is the few times when you really can address a problem effectively and be systemically impactful as opposed to doing a lot of sort of small interventions and a lot of things and maybe having some small impact.

The problem with that is basically that there are a lot of parts, financial parts, of the aid industry that need to make returns. And if you're in the venture angel network industry, the returns are very uncertain. So I just wanted to comment on whether that's sort of taking this too far or whether that kind of mindset change makes any sense in this context.

MR. INGRAM: Okay. There's a second question pretty close there,

David.

MR. KELLER: Good afternoon. So something we didn't, at least I didn't

catch on to --

MR. INGRAM: And your name is?

MR. KELLER: Jason Keller. I'm coming from the federal sector side, but

very interested in how this can flesh out. So problem development, for instance, USAID,

you say, hey, we have this issue and we want to throw it out there. Can you all address

how much room you have for actually reexamining the problem and making sure you're

not saying, hey, we want to teach this guy to fish because just giving him a fish is a

problem. But then we realized actually it's because there's no fish in the river and

teaching him to fish isn't going to help in the first place. And do we allow for that kind of

movement of taking the problem from Point A to a completely different mindset where

you know your solution, you know, obviously drastically changes?

MR. INGRAM: And actually there's a lady in front of you who had a

question.

MS. SOUCAR: Hi, Mira Soucar from GeoPoll. I was wondering if the

two Anns on the stage --

MR. INGRAM: Closer with the microphone.

MS. SOUCAR: It's a question for the two Anns on the stage. I was

hoping you could share some tools or techniques that you've seen work with

organizations that you either interviewed or that Evidence Action works with that -- tools

and techniques that they use to collect data to make these iterative changes and achieve

a better solution and make those midstream midline changes to programs. Thank you.

MR. INGRAM: Great. Thank you. Ann Mei, I think the first question

from Nancy Lee was for you and why don't you address that and the third one and then

we'll move on?

MS. CHANG: Sounds good. Yeah, I mean, it's a great question, Nancy.

And I think really what I would recommend is that we need the right tool for the problem,

right? So for places where we already have a solution that's good enough, we should

have a predictable way to deliver to that solution. For places where we are a thousand

times off what we need, we should be investing in those sort of unicorns, if you will, and

taking huge risks to try to find something that's going to get there. But there's a lot of

room in between there and I think we need tools all along that spectrum. Sometimes it is

that we need just something that's 10 percent better, sometimes it's 50 percent better.

And so we need to take the amount of risk that's appropriate for the problem that we're

trying to solve.

And I would say that as the landscape has changed where more and

more of the investment in the SDGs is not coming so much from foreign aid and

philanthropy, but from the private sector and from local governments, the unique role that

we can play is to play that risk capital role. In foreign aid we can take those risks to try

new things and try to figure out how we can deliver better solutions.

And I'd love to see more and more of the foreign aid dollars go to finding

those better solutions that then the private sector or local governments can scale. And it

should be across that whole risk continuum. You know, innovation doesn't only happen

in the sort of Silicon Valley unicorn sense, but it also happens in much more moderate

risk environments as well.

To the question about gathering data, there's a lot of hype about tech for

development. You know, certainly because I came from the tech sector, everyone comes

to me and says, hey, can you build me an app for that? But I actually think the killer app

for global development with technology is data collection. It's not sexy, but technology

has made it much more possible for us to more cheaply, quickly, and accurately collect

data. That can be anything as simple from like surveys via text messages to sort of

smartphone-equipped mobile surveys to actual wireless sensors that report data on an

ongoing basis.

And I just think we need to invest more in that data collection that gives

us the feedback so we know what's working, what's changing, again, because we work in

such dynamic environments and we shouldn't be satisfied with what's working today

being -- even if it works today being sufficient, but it can generally work dramatically

better over time.

MR. INGRAM: Good.

MR. RICHARDSON: Yeah. I mean, let me just jump on that point. I

mean for us data is twofold. You have the microdata on the program/project base and

you have the country set of data, which just sort of outlines the overall challenges facing

the country.

And so on the micro side, we absolutely need to make sure if we can

have an opportunity to do a constant learning environment and we are going to try to

require adaptive mechanisms so that we can quickly shift because we do have a

tendency to lock up all of our money for five years at a time, which doesn't make sense,

but we need to make sure that we are getting the data back to say are we working, are

we not, and can we shift appropriately?

And then on the macro side, I think it's really exciting, we've just

launched a new website, SelfReliance.USAID.gov, that really has 17 dimensions of data

that add up to what a country's self-reliance will look like. And we have these fact sheets

who are all low- and middle-income countries, and the fact sheets are fascinating.

They're very high level, which everyone will complain about, but that's fine. But what they

do is they allow us to be very -- understand the true challenges from a data-driven

perspective about what is really holding back our country from achieving self reliance.

And we have a biasness and it's just inherent that these are the things that these

countries need or maybe even the country believes that that's what the true challenges

are, and the fact is the data shows something very different.

Now we shouldn't be a slave to data, absolutely. But we do need to

make sure that we are constantly getting new information about what are the true

challenges and making sure that our programs are aligned to those. Because ultimately,

we need to build the capacity of commitment of countries in order to get them to be self-

reliant. That is what we're trying to accomplish from a macro perspective.

That's what development is. We are trying -- the administrator says that

constantly, we're trying to end the need for development to exist. And if we cannot get

past the point where a country is able to actually plan, finance, and implement it's own

development, then we have failed. So how do we understand what that looks like and

are we using data in a way that helps us track and see if we're actually making progress

when we say we need to?

MS. HEALY: Just to add a couple of points on the data collection tools.

so I agree with Ann Mei that the most valuable role of technology in development is often

around a data collection. I think, you know, we use a number of tools, everything from

Dimagi's CommCARE and ODK to Tableau to visualize data and actually act on it.

I do think for some organizations there can be too much data that is

collected and collected without much thought to why it's being collected and how it's

going to be used. And this comes back to Ann Mei's point about the theory of change.

That should be your touchstone for figuring out what your monitoring strategy is, what

data you collect, and how you act on that data. And you should be revising your theory of change and your monitoring framework to really be thinking about that because you can get overwhelmed with the amount of data, especially as a program scales, because obviously the volume of data just continues to increase.

One challenge about doing data-driven decision-making meaningfully I think is it does require not just data and data systems, but strong monitoring staff to actually think about what data is needed, how it's linking to our understanding of the intervention's impact, and to do things like good visualizations that actually are meaningful for decision makers, whether that's the organization yourself, your funders, or your implementing partners.

And one final point on this is we work closely with a lot of governments. It's all well and good to talk about, for example, an NGO collecting a lot of really great data on, via CommCARE. It's a whole other thing to figure out, if you're working with and through governments, to figure out how to integrate with government MIS systems. And if you care about scale and you are working with governments, you should care about their data systems and not just the much easier and more nimble ones that you can create and manage in-house as an NGO, but actually how to talk to government information systems.

And that gets to some of these sort of practical challenges I think around lean impact when you are working with government partners, is how to actually sort of have the pace of iteration and the accelerated learning. That's really key to it when you are working with that type of larger institution.

MR. FINE: George, let may respond to the question about are funders receptive to you telling them there are no fish in the river? There are lots of different types of funders and some, particularly ones that are funding that a smaller level and are

not subject to established institutional processes, you can get into a conversation, you

can do some degree of co-creation with them, and you can say, you can have a

conversation about are there fish in the river? Is this the best approach or do we have all

the information we need?

And that sounds really attractive, but those conversations can go on for

months and they often will not end in actual funding. And your transaction costs for

participating in the conversations you're covering, and so there's a risk associated with

what sounds like a really good process.

Then, on the other hand, you have big institutional funders, like the U.S.

Government or the Gates Foundation would be an example from the foundation world,

where they're not really very open to you saying, hey, we don't think your assessment of

the problem is accurate and, in fact, here's a better way to do it. And we have tried that

where we've submitted a proposal with responding to the requirements in the solicitation

and then we've added an addendum and said, would you consider doing it this way? Or

would you consider this, these additional ideas? And we've found that almost every time

we do that, we get eliminated in the first round, so it's not appreciated.

And so when you do that a few times and you have a CEO like me who

says, yeah, let's try it. These are really good ideas. They'll appreciate it. And then

you're eliminated in the first round, but, you know, after a few times, you stop doing that.

MR. INGRAM: Jim --

MR. RICHARDSON: Maybe it's personal. (Laughter)

MR. INGRAM: Patrick sparks my solution for all of your procurement

problems, and that is you need a one-sentence procurement request.

MR. FINE: Okay.

MR. INGRAM: We want to take that hill over there.

MR. FINE: Okay.

MR. INGRAM: You tell us how to get there. Let's have a couple more questions up front. This gentleman right here, one behind him.

SPEAKER: Thank you very much. I have an unpronounceable Romanian name. (Laughter) I worked for 25 years as a consultant and subcontractor with USAID, the World Bank.

MR. INGRAM: I'm going to ask you to be really quick because we're running out of time, quick question.

SPEAKER: I will be very quick. And in various areas, DFID and in CHICA, in education, health, so poverty environment and governance. I love the panels. I'm delighted that USAID has engaged in this enormous effort. I love the book. I studied it yesterday and I have no questions. Thank you. (Laughter)

MR. INGRAM: The gentleman right there behind. There are two and then --

MR. BARRY: Adamoni Barry, a (inaudible) fellow. A fantastic conversation. My question is around if you're scaling impact, it's very different to if you're scaling an enterprise. I would really love to know your thoughts on secondary negative impacts and how when we're scaling an enterprise, we can scale those. And if you have in the book, which I haven't read yet, an approach towards dealing with that.

MS. CHANG: Secondary what?

MR. FINE: Negative impacts.

MR. INGRAM: And who do we have? Right.

MS. PAXTON: Hi, Sally Paxton with Publish What You Fund. Thanks for this great conversation. You talked a lot USAID having the flexibility, that it's just not using it. And my question is to what extent does political risk play a role in just keeping

that appetite for risk down? I mean, to what extent is Congress, for example, really

embracing innovation?

We have to fight very hard right now for foreign assistance funding. So

to what extent is -- how do we make Congress embrace innovation, understanding that

that comes with more risk and more failure? You guys have all worked in government, so

I'm sure you have the answer.

MR. INGRAM: All right. I'm going to take two more questions over here,

mainly to get a couple of more ideas on the table, and then the panel will select which

ones they want to respond to. But I'm going to take the first one.

MS. JERMAINE: My name is Mercer Jermaine and my question is for

any of you. Small- to medium-size organizations really struggle. They have a lot of stuff

on their plate. How do they manage implementing lean impact when already the work

that they have is a lot?

MR. INGRAM: Okay. And another hand right up here.

SPEAKER: Hello. I'm a policy economist from the Middle East. So I

have a bit of a question on the implementation side because the government official will

always be reluctant to pivot because he will never be questioned on why he kept going

on with the plan even though it's not working at all vis-à-vis if he takes a risk, even if it's

the smart risk to take, he would have major repercussions. So in terms of pivoting, what

kind of guidelines do you recommend we put into place? Especially that while design

thinking works beautifully when I'm trying to test at that (inaudible) site and I can do AB

testing all the time, if I'm trying to integrate the SMEs into value chains back home, it's

not as easy to test. So how would you go about it?

MR. INGRAM: Right. Okay. Sure, real quick.

MR. HERSHEY: I'm Bob Hershey. I'm a consultant. To what extent are

you using the Internet to have meetings and get together the funding for projects and get

an economic consensus on the people involved?

MR. INGRAM: All right. Thank you all very much. Let's just work down

the panel from Jim and you can answer one or two or three.

MR. RICHARDSON: Yeah, I'll be probably a (inaudible).

MR. INGRAM: But you can't answer the first one because I'm agreeing

with the first gentleman.

MR. RICHARDSON: Let me answer the congressman actually. For us, I

mean, working with Congress is essential. We love them. They love us. Sometimes

they love us too much, and that's great, too.

For us it's sort of what I talked about on the innovation side is that we

have a tendency to put innovation in a box in the same way that we have a tendency to

put gender in a box or LGBT issues in a box or water issues, right? These things are

actually interconnected and only through a true matrixed approach are we actually going

to make substantial impact and achieve greater development outcomes.

So how do we have that conversation with our funders about while they

have the earmarks and say this amount of money must go to X, understand that this is all

connected, that for us to be thinking about someone's education without thinking about

the transportation or their ability to access nutrition or their access to the Internet, that

that actually -- or a governing environment that keeps them safe, these are all connected

things. And, again, we cannot just put these things in a box and expect that to achieve

greater outcomes. So that would be my argument to Congress, who might welcome it.

(Laughter)

MS. HEALY: I'm going to respond to just one, the unintended

consequences as you scale. I think that's a great question and actually one we spend a

lot of time thinking about at Evidence Action. We spend a lot of time thinking about

rigorous evidence. Often that's generated via randomized control trials or other quasi-

experimental approaches. That is often done at a small scale. And so, even if you well

validate something through a few RCTs, it's often not at a scale where you can discern

some of those unintended consequences, harmful or positive.

We work closely with leading development economists to do RCTs at

scale, especially important for interventions with more complex theories of change and

greater risk. We work in the seasonal migration space in Bangladesh, supporting rural

migrant laborers to migrate to cities during the lean season temporarily to access job

opportunities there.

There are a whole host of potentially negative unintended consequences

of an intervention such as that. And that's why we're working very closely with

researchers to actually study those. There could be effects on markets, labor markets,

prices, wages, et cetera. And there could also be unintended consequences for

households involved in the program and households not involved in the program.

So I think it's a great question and it's not talked about enough or thought

about enough. Even if something is evidence-based from the start, oftentimes it's

actually evidence-based on a fairly small scale set of -- studies that are done at a fairly

small scale. And so this is a pretty important space that more and more economists in

particular are starting to think about.

MR. FINE: I'll respond to the question about how does a small- to

medium-size organization incorporate these principles. And it applies to any organization

because everybody is flat-out working on the activities that they're carrying that. And for

me, what this does it provides really valuable ideas and some tools and ways of thinking

about how you do that work that you're currently doing and how you think about doing

work in the future that you're going to do. So it's not stopping what you're doing and then

starting something new. It's taking the ideas that are here, the approaches, the tools,

and saying how do we -- incorporating them into how you think about doing the work that

you're doing.

          And we believe that this can make a real difference. These kinds of

principles make a real difference in our effectiveness and our ability to be responsive to

the communities where we work and to the stakeholders we have.

          MR. INGRAM: Final word.

          MS. CHANG: Sure. I can't even remember all the questions. I forgot to

bring a pen up here, but I'm just, you know, some -- you made a comment earlier.

Absolutely, one differences in scaling in this world versus scaling in business is that it

usually doesn't mean scaling in enterprise. We rarely can scale an NGO large enough.

There's rarely ever enough philanthropic or foreign aid funding to actually solve these

problems at scale with one institution. Just like Vision Spring Journey, they went through

partnerships and they went through governments and so forth to drive policy change.

And so, yes, we need to think about the idea of scale differently, not as how do we get

more money and grow our own institution, but how do we get more impact?

          And to the question about like how small organizations do this, you

know, this is also a challenge I hear a lot from organizations is like every nonprofit I know

is running flat out just to get the things that they have to get done. You know, everyone's

living on a shoestring. It's really hard to make room for something new.

          And two things I would say is, one, innovation doesn't have to be big or

expensive. If you're going to have a meeting for an hour, maybe instead of having the

meeting for the hour and debating the fine points of a design, go out and actually talk to

someone, go out and actually try something with someone. So don't let perfect be the

enemy of the good. There are things we can do to take small steps to be more

experiential and get out into the real world rather than staying so much in the confines of

our building.

        The second thing I would say is look at the bigger mission. This may be

a hard thing to say, and I've said this to some organizations that I work with, but, you

know, nonprofits and NGOs are in this -- have a mission generally to do good in the

world. But when you look underneath the surface and you go inside and you listen to the

conversations, most of the conversations are not about how do we do more good in the

world? It's about how do we get more grants and bring in more money? And that's not

necessarily the way to do most good in the world, right? If you win the grant versus your

competitor, an NGO wins the grant, is it going to make that much difference in whether --

in what happens? Generally not, right?

        So I think part of it is us taking ourselves out of focusing so much on the

survival and the growth of our institutions and looking at what is the path that's actually

going to drive the most impact in the world?

        MR. INGRAM: Great. As I thank the panel, Ann Mei, let me suggest you

remove your lavalier and you exit stage left, so you beat the crowd to the table in the

lobby. And in addition to being am interesting, instructive, enjoyable read, it will, you

know, marvel your guest that this is not -- the lean impact is not a dietary prescription.

(Laughter) And the color will lighten up your living room on your coffee table.

        And with that, let me thank the panel, Patrick, Anne, Jim. It was really a

good discussion. (Applause)

                                    * * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2020