

# DAY ONE PROJECT

Accelerating Innovation,  
Performance, and Impact at USAID

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*The Day One Project offers a platform for ideas that represent a broad range of perspectives across S&T disciplines. The views and opinions expressed in this proposal are those of the author(s) and do not reflect the views and opinions of the Day One Project or its S&T Leadership Council.*

## Summary

The United States Agency for International Development (USAID) tackles some of the toughest challenges in some of the toughest places on earth, including fighting global pandemics, growing economic prosperity, strengthening democratic institutions, and providing humanitarian relief. USAID plays an important role in addressing global development problems that initially lack effective, scalable, and sustainable solutions. Yet USAID's activities allow little room for the risk taking or iteration needed to drive significant improvements and encourage disruptive new ideas, with most programs implemented through detailed plans with rigid designs.

Imagine if the pace of progress for global development could match the breakneck pace of advances in the tech sector. The next administration should assess where current USAID interventions are inadequately meeting global need, applying best practices from innovation to improve programs accordingly. This will include shifting to outcomes-based performance metrics, dedicating budget for experimentation, establishing incentives that encourage risk-taking, linking payments with outcomes, and conducting ex-post evaluations of scale and sustainability.

## Challenge and Opportunity

Five years after the adoption of the Sustainable Development Goals (SDGs), progress on international development has been uneven and has fallen short in many key areas.<sup>1</sup> The COVID-19 pandemic has set back plans for development programs and has upended many existing interventions. Bold new ideas and fast action are needed to accelerate progress and maintain USAID's status as the world's premier international development agency.

Existing initiatives at USAID have laid the groundwork to move towards a more forward-leaning approach to program design. The integration of "adaptive management" into the USAID program cycle<sup>2</sup> recognized the need for flexible development frameworks, particularly when operating in changing contexts. Adopting similar adaptive approaches agency-wide will proactively drive USAID towards improved efficacy, cost-effectiveness, and scale. In addition, the U.S. Global Development Lab has demonstrated the value of innovative funding mechanisms such as Development Innovation Ventures (DIV, designed by recent Nobel Laureate Michael Kremer), the ten Grand Challenges for Development, multiple prizes, and outcomes-based contracts.

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<sup>1</sup> United Nations (2020), [Sustainable Development Goals Report](#), November 2020.

<sup>2</sup> USAID (2018). [What Is Adaptive Management?](#) Learning Lab, February 8.

## Plan of Action

The next administration should implement multiple reforms at USAID designed to catalyze real progress towards the SDGs. USAID's non-emergency response development programs should be redesigned to encourage more risk-taking, set higher expectations for performance, and emphasize pathways to scale sustainably. Program success should be evaluated not only based on services delivered, but also based on program efficacy and cost-effectiveness as well as the extent to which programs attract subsequent investment and/or ensure sustained service delivery beyond program lifespan.

Specifically, the next administration should update program cycle and procurement guidance at USAID to build in more ambitious targets, increase flexibility, and create incentives for risk-taking as follows:

- (1) Establish performance benchmarks. Currently, USAID programs tend to be evaluated based on the number of people served rather than on intervention effectiveness. USAID should identify key drivers of improved program outcomes and greater programmatic scalability, and should set annual targets for USAID bureaus and missions to improve in each of these drivers. Progress on such performance benchmarks could be assessed via metrics such as intervention adoption, program retention, success rate, income increases, health outcomes, and cost.
- (2) Require adaptive management budgets and plans. To fully realize the benefits of integrating adaptive management throughout the USAID program cycle, USAID requests for applications and requests for proposals (RFAs and RFPs) should explicitly request that a minimum 5% of proposed budgets be directed towards activities to improve performance and adapt based on new insights and changes in context. Such activities would include proactive experiments and pilots to improve impact on key performance indicators.
- (3) Expand use of funding mechanisms to encourage risk-taking and innovation. Where current solutions are deemed insufficient to achieve agency development objectives, USAID should require allocation of an appropriate percentage of program funds towards mechanisms that encourage risk-taking and innovation. Examples of such mechanisms include evidence-based tiered funding (such as DIV), challenges, prizes, and advanced market commitments. Funding should be structured with a high tolerance for failure and a low initial barrier to entry to draw in nontraditional and local partners. Mechanisms could either stand alone or exist as components of a larger program.
- (4) Significantly increase usage of outcomes-based mechanisms. While outcomes-based mechanisms require greater sophistication than traditional activity-based workplans, they are important to align incentives towards investment in more cost-effective solutions. USAID should set an annually increasing agency-wide target for total funds disbursed based on outcomes, including through partial outcomes bonuses or pay-for-performance contracts.

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- (5) Invest in ex-post evaluations. USAID bureaus should be encouraged to work towards results that are sustained, interventions that are continued, and scale that is catalyzed through replication, government adoption, or market-based business models. As such, USAID should move towards measuring program outcomes for some time after the activity cycle of a program or partnership concludes.

## Conclusion

The next administration should apply best practices from innovation to the design of USAID programs. These practices include outcomes-based performance metrics, budget for experimentation, incentives that encourage risk-taking, outcomes-based payments, and ex-post evaluations of scale and sustainability. Agency-wide implementation of these practices will ensure that USAID continues to be the world's premier international development agency.

## Frequently Asked Questions

### **Why isn't USAID as effective as it could be?**

USAID programs are typically designed to focus on what is delivered during program lifespan rather than on what happens once a program concludes. Shifting the emphasis to how well program components are sustained and scaled once a program's activity cycle concludes will encourage programs that are effective for the long term: programs that develop business models, foster close partnerships with governments, and simplify interventions for greater scalability.

### **Who should oversee the implementation of ideas presented in this memo?**

USAID's Innovation team (former Lab) is best positioned to identify and serve as an in-house source of expertise on innovation best practices that can be applied to development. But innovation best practices should be institutionalized and adopted agency-wide. One way to accomplish this is for USAID's Deputy Administrator and Management Bureau Office of Acquisition and Assistance (OAA) to build innovation best practices into procurement guidelines.

### **How will outcomes-based performance metrics and shifting payments towards outcomes enable USAID to more adequately meet global development needs?**

Evaluating programs based on cost-effectiveness rather than on number of people served is a better way for USAID to ensure value (i.e., impact to people) for taxpayer money. Outcomes-based payments give implementing organizations more flexibility and reason to try new approaches relative to traditional programs based on rigid implementation plans. Outcomes-based performance assessment will provide greater visibility into and accountability for unit-level measures of program adoption and retention, success rate, income increases, health outcomes, and cost. This will improve the overall quality of USAID's programs by giving organizations the incentive to not just "check the boxes" on activities, but to selectively pursue only those activities that are truly worthwhile.

### **Are there any initiatives that may not be well-suited for outcomes-based funding?**

Outcomes-based funding is most appropriate for programs where outcomes can be discretely measured, such as health, education, and job training. For programs with more diffuse and longer-term impacts (e.g., improving governance or women's empowerment) tiered funding or other funding mechanisms may be more appropriate. Note that outcomes-funding does not have to be an all-or-nothing proposition. Even a 5% outcomes bonus can be a big incentive for improvement if it comes in the form of unrestricted dollars.



## About the Author

Ann Mei Chang is the author of *Lean Impact: How to Innovate for Radically Greater Social Good*. Previously, Ann Mei served at USAID as the Chief Innovation Officer and first Executive Director of the US Global Development Lab. She has also served as Chief Innovation Officer for Pete for America, Chief Innovation Officer at Mercy Corps, and Senior Advisor for Women and Technology at the U.S. Department of State. Prior to her pivot to the public and social sector, Ann Mei was a seasoned technology executive, with more than 20 years' experience at such leading companies as Google, Apple, and Intuit, as well as at a range of startups.



## About the Day One Project

The Day One Project is dedicated to democratizing the policymaking process by working with new and expert voices across the science and technology community, helping to develop actionable policies that can improve the lives of all Americans, and readying them for Day One of a future presidential term. For more about the Day One Project, visit [dayoneproject.org](http://dayoneproject.org).