



CSIS COMMISSION ON SMART POWER

A smarter, more secure America.

Innovation in Foreign Assistance Delivery **By Karin von Hippel**

What is the problem?

There is widespread recognition that the U.S. government and its major partners have been unable to make significant inroads in their overall goals of reducing poverty and building accountable, democratic states. International campaigns lobby the U.S. government to spend more money fighting poverty (the current rate is less than one-half of one percent of the national budget). Yet funding alone is not the problem: approximately \$2.3 trillion¹ has been spent over the past five decades by the West, and significant amounts over the last few years by the U.S. government in Afghanistan and Iraq, and yet far too many people remain deeply mired in poverty and live in poorly governed societies.

What is going wrong with U.S. foreign assistance? Are institutional obstacles keeping aid organizations from being as agile as may be required? Is the ground simply infertile, or are we using the wrong tools?

The answers to these questions may be less complicated than they appear. Many appropriate techniques, tools and successful practices are in fact close by, but they have been overlooked, are poorly understood, or need to be adapted to a different set of circumstances. If they can be harnessed properly, U.S. foreign assistance could have the serious multiplier effect that has always been its underlying goal.

User-Driven Approaches

Indeed, the systematic application by the U.S. government of new research approaches and techniques from management sciences, industry and Silicon Valley could help solve many development challenges and accelerate change in fundamental ways. Foreign assistance programs could become more effective by emulating and adopting these practices, particularly the focus on “user-driven innovation.”

A user innovation is one in which the developer expects to benefit by the innovation. These users typically innovate to solve their own needs at private expense, and have a high incentive to solve their problems. They “freely reveal” their innovations because, by doing so, they gain an enhanced reputation, their innovation is likely to be improved by others (also for free), and there are network effect benefits. What these users want today, the market will want in the future.²

The application of new tools to identify innovative lead users – from industrialized as well as developing states - could help accelerate change more broadly. In practice, this means embracing a more interdisciplinary approach to development challenges, and building flexible

¹ Figure derived from William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good.*: Penguin Press, 2006.

² See Eric von Hippel, *Democratizing Innovation*, MIT Press, 2005, for more information. The lead user concept was borrowed from his research in order to apply an industrial practice to improve aid effectiveness.



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institutional mechanisms that can incorporate innovations and best practices from a wider range of fields on a regular basis. Critically, it intuitively gives appropriate attention to the purpose of development assistance, as it focuses on how users should take the lead.

What are some examples?

New technologies are impacting public and private spheres in all parts of the world in ways unimaginable only five years ago. A creative idea conceived at the local level can become global without the financial and other infrastructures previously required. A small business in India can sell its products anywhere in the world, an online newspaper needs no physical address, while political parties and civil society organizations can transform a local campaign into an international one, irrespective of their physical base. As of 2007, Craigslist was ranked as the 34th most widely viewed website in the world, the 9th overall in the United States, and the world's leading classifieds service - all this with only 24 employees.

Major multinational corporations such as IBM freely reveal proprietary process information, placing it in the commons, and financially benefit from doing so. This shift represents perhaps one of the most dramatic changes corporations have gone through in decades. The implications of such transformations for those outside the high tech field are only now becoming evident.

While Web 1.0 was primarily about passive monitoring of the internet, Web 2.0 has been defined as synchronous communication, based on tools such as open source software, mashups and wikis. Web 2.0 has consequently unleashed numerous opportunities for user-driven innovations, information sharing and even product manufacturing. Today, savvy Silicon Valley entrepreneurs are already anticipating Web 3.0, which would allow archiving of all the data on the internet at new levels. These advances facilitate lateral thinking and innovation in unprecedented ways by opening up problem-solving and search to the global community.

The intense surge in mobile phone use (and their increasing affordability) in many developing states have also generated inventive ways of doing business, empowering the poor to fight poverty on their own terms. Cell phones provide daily price information on food exports for subsistence farmers in poor countries, such as in Burkina Faso and Mali. They are used not just as debit cards, but they also transfer funds to places traditional banking systems cannot reach, as in many parts of Afghanistan or Somalia. In fact, remittance systems transfer over \$170 billion annually to developing states, and cell phones now play a critical role in a growing number of these transfers. Mobile phones are also being programmed by users to perform like computers.

What can be done?

Many of the aforementioned innovations have been transforming developing states independent of foreign assistance programs. How can development and humanitarian actors harness and work with these user-driven techniques and practices more effectively to benefit the poor? While the United Nations, the World Bank and USAID, for example, may be aware of some of these practices and advances, they are ill-equipped to integrate or work with them effectively, and thus seldom factor them into policy and programming at the macro-level. Consequently,

The opinions expressed in this essay are those of the author, and while they were used to inform the Commission's deliberations, they do not reflect the opinions and recommendations of the Commission.



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separate funding streams and programs – traditional and nontraditional – are currently operating in parallel, and rarely in a complementary manner.

Donors and implementing partners instead need to learn how to identify what the most advanced users are already doing, and then build on and leverage these solutions, through advanced techniques already in use in the private sector. Indeed, the reality is that many parts of government already use and understand a number of these tools, though not for the purposes advocated here. U.S. intelligence agencies and the U.S. military use perhaps the most sophisticated web-based tools and other new technologies to monitor our “enemies” and understand their networks. If they could utilize those same tools to improve their connectivity and agility within and across government, as well as with international and local actors, they could make a significant impact on aid effectiveness.

Current practice, however, tends in the opposite direction. Not only are restrictions placed on the physical movement of U.S. government officials in a number of developing states, but they also have limited access to some high technology tools at work, such as the handheld PDAs, or cell phones in some embassies. Recently the Pentagon banned its personnel from blogging. While security is a real concern, the reality is that much of the “embargoed” information is “out there” anyway.

Beyond integrated uses of new technologies, the effort should be on facilitating, coaching, de-regulating, and supporting, rather than conceiving, developing and implementing projects. Bureaucratic reforms should not include a new “Center for Innovation” - these tools and strategies need to be mainstreamed across all parts of government. This could be done instead through hiring “Innovation Advisers,” who can help different departments retool and re-strategize, and teach personnel how to capture user-driven innovations in more fundamental ways.

In order to facilitate the marketing and implementation of these concepts, and bring in as partners the very people targeted by aid programs, additional recommendations could include:

- Open, web-based international competitions with prize rewards for solving difficult development challenges;
- Digital global brainstorming sessions/webcasts (e-brainstorming or e-discussions), with participation from the public in the United States as well as in the developing world. This could be financed through public-private partnerships in order to set up or expand wifi services and internet cafes in developing states;
- User-driven search methods to facilitate innovation and solve difficult development challenges;
- E-briefs prepared by experts from the United States and counterparts in developing states on common themes, but from different perspectives;



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Focus on Youth

A special emphasis should be placed on targeting youth. Young people are far more adept and less intimidated by new technologies than their elders, and in fact can serve as mentors to the elder generation as well as to those currently excluded by the digital divide. Advances such as the \$100 laptop, which include virtual libraries with over 1,000 books and audios in local languages, are aimed at the younger generation in poor countries. Children and teens in the United States can help to mentor their counterparts from the developing world, given that their teachers are unlikely to be able to do so. Additional youth recommendations include:

- School twinning/mentoring between elementary and high school students in the United States and developing states, utilizing Web 2.0 tools;
- E-competitions/debates/discussions for students across the digital divide;

Encouraging open debate and discussion from the public in many parts of the world will not only help generate new ideas, innovations and solutions, but it will also help to mitigate the widespread impression in many developing states that the U.S. government imposes and dictates policy rather than listens.

What are some examples of development challenges?

These tools could be applied to a number of development challenges, such as:

1. Improving direct assistance and cash transfers, and local absorption capacity.
2. Facilitating collective remittances for development.
3. Building a capable police force.
4. Enhancing government contracting procedures to capture user-driven ideas and expand the applicant pool. How can government significantly open up the process as well as absorb good ideas (those that did not win the competition)?
5. Improving information-sharing and connectivity in post-conflict environments.