

1 **Draft speech, UN high level forum**

2 Thank you very much for inviting me. I'd like to talk about development  
3 innovation. Sometimes people associate innovation with gadgets, but  
4 it's much more than that.

5 **Innovation**

6 Innovation is crucial to achieving the SDGs. In the long-run innovation,  
7 finding new and better ways to do things, is the key driver of economic  
8 growth and prosperity. We cannot increase incomes forever by using  
9 more resources, land or labour, we need to find new and better ways to  
10 do things.

11 Innovation is also important for wellbeing beyond incomes. The COVID-  
12 19 pandemic has highlighted how important medical innovation is. [The  
13 world developed vaccines in record time. We should learn from our  
14 experience with the Advance Market Commitment for pneumococcus  
15 vaccines and from advance contracting approaches for COVID-19, and

16 design financing to develop vaccines and treatments needed for other  
17 diseases that cause many deaths worldwide each year.

18 Innovations in policy and technology can improve education and  
19 wellbeing. Interruptions in schooling this year have highlighted the  
20 importance of being able to rapidly find new ways to deliver services,  
21 especially during a crisis.]

22 Innovation is a public good. This makes it very valuable: new ideas  
23 developed in one place can spread cheaply and easily. But this means  
24 that the market under-invests in innovation. In fact innovations spread  
25 internationally, meaning they are a global public good, so individual  
26 countries tend to under-invest in innovation.

27 So we need more investment in innovation, and in particular in  
28 innovations that serve the needs of people living in poverty.

29 **The experimental method**

30 The experimental method is a good tool for innovation. People  
31 sometimes think of the experimental method as being about  
32 evaluation, because it allows us to isolate the causal impact of a  
33 program.

34 It can do this, but it has other important features, chief among them  
35 that it allows us to develop and test new ideas. You can think of it as  
36 being similar to A/B tests used to develop products.

37 And as with A/B tests, you can do more than just test something to see  
38 the effect. You can iterate and improve our solutions.

39 I'll give an example.

#### 40 **Water**

41 Diarrheal disease, often caused by contaminated water, is a major  
42 cause of child death in low-income countries.

43 Preliminary results from a meta-analysis combining multiple studies  
44 suggest that drinking water treatment can substantially improve child  
45 survival.

46 In the early 2000s, I was studying water safety in Kenya. Water  
47 treatment was socially marketed, but this had very low uptake. We  
48 tested multiple possible solutions, drawing on other studies from  
49 economics and psychology to try to increase usage rates. We settled on  
50 a large dispenser of water treatment solution – put right at the water  
51 source.

52 When people collect water, they can add the right dose of chlorine by  
53 turning a knob.

54 The dispenser was salient – big and bright blue and placed right at the  
55 water source. It was incorporated into something people already did –  
56 water collection – so use was convenient and could quickly become a  
57 habit. Perhaps most important, it was free.

58 The dispenser increased water treatment four-fold. And that increase  
59 was sustained when we tested it over the next three years. That  
60 innovative approach is now providing clean water for about two million  
61 people each day across Kenya, Uganda and Malawi, at a cost of only  
62 \$1.50 per person per year.

63 Another solution we looked at was coupons for water treatment, which  
64 can be distributed at clinics and then redeemed at local shops. We  
65 studied these in Kenya, and found that they were an extremely  
66 effective way to target treatment at people who would use it without  
67 excluding people who would not pay for treatment.

68 I'm planning to find a way to do larger scale studies on this, and  
69 possibly to bring this to scale.

## 70 **Development Innovation Lab**

71 This year I have set up the Development Innovation Lab (or DIL) at the  
72 University of Chicago to do just this. DIL will use the tools of  
73 economics, including the experimental method.

74 We hope to build close, long-lasting relationships with governments,  
75 NGOs and firms in low- and middle-income countries to identify,  
76 develop and test innovations with the potential to benefit millions of  
77 people in low- and middle-income countries.

78 Finding cost-effective ways to provide safe water at scale will be one of  
79 our priorities. We also already have research in education, vaccine  
80 financing, and agriculture.

## 81 **Innovation funds**

82 But beyond individual projects, what can be done.

83 Several funds have been set up to identify and scale promising  
84 innovations. For example, I co-founded and serve as Scientific Director  
85 of USAID's Development Innovation Ventures.

86 DIV supports innovations for development from a wide variety of  
87 sources, including social entrepreneurs, for-profit firms, and  
88 researchers.

89 DIV is deliberately open across sectors and geographies, and to  
90 innovations intended to scale either commercially or through  
91 developing country governments or donors.

92 We complement this openness with a tiered, evidence-based approach  
93 to funding. DIV makes small investments to pilot and test promising  
94 ideas, and larger ones to help innovations that are supported by  
95 rigorous empirical evidence to scale.

96 Other innovation funds are taking related approaches. Tamil Nadu has  
97 an exciting approach. In France, Esther Duflo is chairing the new Fund  
98 for Innovation in Development, or FID.

99 So, is funding development innovation in this way a good investment?

100 We recently analyzed DIV's early portfolio. The social benefits of just  
101 five of DIV's first 43 investments were seventeen times as large as the  
102 cost of the entire portfolio.

103 We also found that innovations involving the experimental approach  
104 were much more likely to reach more than one million users than those  
105 that did not.

106 Our results suggest that there's potential for this type of open,  
107 evidence-based innovation fund to deliver high returns for society.

108 They also suggest that the experimental method is a useful tool for  
109 innovation and social scientists have a place alongside social  
110 entrepreneurs, technologists, and others in developing and scaling  
111 innovations for development.

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