

## **Executive summary**

*Towards the end of global poverty, innovating the development aid sector by connecting the Global Poverty Framework and the Cyclic Innovation Model.*

### **Introduction and method (chapter 1 and chapter 2)**

In the current debate about the use and necessity of development aid, supporters and opponents from the development aid sector seem to agree on one thing: *“the implementation of development aid needs to change”*. In this thesis, we describe how the development sector needs to change its approach. The main research question is: *“How can the development aid sector be innovated?”*. The research consists of four parts (1) an analysis and visualization of poverty in a new way to identify an ambitious and concrete objective for the development aid sector; (2) a critical analysis of the current approach to determine the size of the gap between the current thinking of the sector and our new insight into global poverty; (3) a description of the Cyclic Innovation Model and the application of the model to the international development aid sector (4) the evaluation of four development aid projects using the Cyclic Innovation Model, with the aim of formulating recommendations for improving the performance of these projects.

### **Part 1: Renewed understanding of global poverty (chapter 4)**

Developing countries are referred to as 'the third world'. This does not do justice to the huge differences in incomes between developing countries. These differences are shown in the Global Poverty Framework – with as an important revelation the Global Poverty Ratio curve (GPR-curve), an equation with exponent -1 – which indicates the mathematical relationship between the per capita income of a nation and its level of poverty. Empirical data from the period between 1987 and 2007 show that countries move along the curve, from poverty to wealth. A second important contribution from the Global Poverty Framework is that it shows there are five Global Poverty Clusters (GPCs), groups of countries with significant differences. This new insight into poverty shows that development aid is not a one-size-fits all affair, but that the five clusters, each cluster consisting of countries that show major similarities in terms of income and poverty, have to be taken into account on a global level. Finally, the framework shows that not all countries are located on the GPR-curve. In countries that are clearly *above* the curve, the available income is distributed unequally and there is an inordinately level of poverty. In countries that are clearly *below* the curve, the percentage of poor people is inordinately low, which means that economic growth has been lagging. These are important indicators that show what the priorities should be: government reform or economic reform.

### **Part 2: Analysis of the development aid sector (chapters 1 and 5)**

The development aid sector is complex and compartmentalized. Often, actors compete rather than work together. They each follow their own agenda, rather than working towards a shared objective. Although there is sufficient money available (in 2010, worldwide governments spent about 125 billion dollar in the development aid sector), a lot of it is spent inefficiently. In addition, the far-reaching specialization in the development aid sector leads to

a one-sided approach to solving poverty (for instance by providing people with an education without giving them jobs to match their education). The money is 'pushed' from the donors to the recipients in different projects, without creating a long-term framework.

In addition to a literature survey, an analysis with experts from the development aid sector shows that:

1. the sector is looking for a new approach;
2. a clear image of the future is missing;
3. there is no generally agreed route along which to reduce poverty for each country;
4. projects are not embedded in large-scale programs;
5. there is a lack of leadership to bring about the change;
6. scientific insights in the area of poverty do not lead to a new approach;
7. the approach that is chosen often does not match the development phase of the country in question;
8. feedback in that regard often does not lead to changes in the development approach;
9. this has to do with, among other things, missing links in the feedback;
10. a shared innovation model is missing.

By using the Cyclic Innovation Model, the development aid sector can innovate step by step and the problems outlined above can be solved.

### **Part 3: The Cyclic Innovation Model (CIM, chapter 3)**

Based in the analysis of the sectors, fifteen characteristics have been identified. On the basis of these characteristics, eight innovation models have been assessed to determine which of them provides the best support for the ambitions for change. The convincing result was that the CIM is the most suitable model. In this thesis, two levels of the CIM are used. At the highest level, three essential leadership tasks are connected: the formulation of the future vision (where do we want to go with the development aid sector?), the design of a transition path (how will we get there?) and the application of a cyclic process model (how will we actually realize the changes?). The second level of the CIM shows that the cyclic process model is represented by the innovation circle, indicating on which activities the development aid sector – together with the people for whom the aid is intended – should focus: (1) conducting scientific research into the technical and economic possibilities of developing countries, including the area of education; (2) adapting modern technologies taking into account the often limited infrastructures of developing countries; (3) developing new products that are needed in the developing countries themselves, but also ones that are needed to strengthen their competitive position and (4) building trade relations to market the new products under fair and competitive conditions on a global market. In that way, the developing countries can build a knowledge economy that can play a valuable role in the global economy. It is clear that this radically new approach requires a new skill set on the part of the development aid sector (third level of the CIM). To illustrate that the CIM is essentially an instrument in the innovation of the development aid sector, four cases have been included in the research, looking at how different development aid projects were carried out and how they could be significantly improved.

#### **Part 4: Description of the four cases (chapter 6)**

In this research, four cases are described extensively: 1) increasing the income of small cattle farmers in India by increasing the milk yield of their cows, 2) improving access to education in Bolivia to improve the labour market, 3) developing greenhouses to grow vegetables in Surinam and 4) increasing the labour potential in Gabon by introducing an electronic health pass for all its citizens. An analysis with the CIM shows that the goal of these projects (producing food supplements, improving educational participation, developing a suitable greenhouse and implementing a health pass) is totally unconnected from the question whether the result matches the countries' development phases according to the Global Poverty Framework. Even more importantly, feedback within these different projects tends to be weak (linear approach), which means that there is no learning process designed to realize improvements. Finally, the development projects were carried out in isolation, without any attempts to integrate them with other development aid activities. In Bolivia, for instance, there is no link between the education project and the labour market, while in Surinam, the greenhouses produce more vegetables that are needed to serve the local market. Using a shared innovation model to increase relevant insights may make it possible to significantly improve the implementation of development aid activities in the future.

#### **Conclusions (chapter 7 and chapter 8)**

To answer the research question posed at the start of this thesis, we suggest innovating the development aid sector by combining the Global Poverty Framework and the Cyclical Innovation Model. This combination will help innovate the sector via the following five steps:

- 1) to improve our ability to predict poverty reduction at three aggregation levels: at a global level, for the clusters and for the individual countries, given the existing approach ('business as usual').
- 2) to bring about cooperation by formulating a shared ambition *and* a shared road map, with the aim of making the sector significantly more successful than predicted by the 'business as usual' scenario.
- 3) Based on step two, to set up development aid programs by using the innovation circle to connect 'new scientific insights into the poverty problem, cluster-adapted technological research, nation-focused product development and improved market mechanisms' in a cyclical manner.
- 4) Based on step three, to realize close cooperation, in and between development aid projects, with the aim of realizing the milestones along the transition path.
- 5) to repeat steps 1 and 2 each year and to improve steps 3 and 4 when necessary.

For the individual countries, their position with regard to the GPR-curve is important input when it comes to identifying priorities in their development program: emphasis on economic development or emphasis on governmental reform. The combination of the two theoretical frameworks, GPF and the CIM, indicates that a fundamental innovation of the development sector is within reach. Furthermore, the combination of GPF and the CIM can serve as an effective communication instrument for the many international institutes, national governments, commercial enterprises, foundations and private actors, and thus help improve the coherence in the sector, with the aim of reducing worldwide poverty more quickly.