



Is Development Economics a Good Investment?

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We develop a method to establish a lower bound on the benefit-cost ratio of development innovation funds by comparing the benefits of a subset of innovations which scaled to the cost of the entire portfolio. Applying the method to the early USAID Development Innovation Ventures portfolio suggests each dollar spent generated at least \$17 in social benefits. Predictors of innovation scaling include low unit costs, distribution through existing large business or government, and rigorous A/B tests or Randomized Control Trials (RCTs) in collaboration with development economics researchers. A model accounting for these results suggests that funders seeking social returns can exploit arbitrage opportunities by investing in

innovations for which expected social returns likely exceed private returns.

