

## A conversation with Nicholas Fusso, February 16, 2017

### Participants

- Nicholas Fusso – Co-Founder and Director, D-Prize
- Natalie Crispin – Senior Research Analyst, GiveWell

**Note:** These notes were compiled by GiveWell and give an overview of the major points made by Nicholas Fusso.

### Summary

GiveWell spoke with Mr. Fusso of D-Prize about the possibility of D-Prize and GiveWell partnering to expand GiveWell's pipeline of Incubation Grant applicants. Conversation topics included the D-Prize charity selection and funding process, D-Prize's operations and budget, and potential uses for additional funding.

### D-Prize charity selection and funding process

There are many existing, effective global poverty interventions, including those that GiveWell has highlighted. However, there is a lack of organizations distributing these interventions to all the people who need them. D-Prize focuses on identifying and funding people who can potentially start charities to fill this distribution gap.

### Global competitions

D-Prize identifies and funds promising charity pilots primarily through its global competition, which challenges people to a) select an intervention from a list compiled by D-Prize, b) submit a proposal, including a distribution model for that intervention, and c) run a pilot if they qualify for the prize. This competition happens twice a year.

#### *Identifying and posting challenges*

D-Prize uses the following process to create the list of interventions for its competitions:

1. **Identify proven interventions** – by looking at, e.g., the GiveWell website, the publications of the Abdul Latif Jameel Poverty Action Lab (J-PAL), or by soliciting input from D-Prize co-founders and others with field knowledge about effective interventions in rural Sub-Saharan Africa or other developing areas.
2. **Evaluate published research** – on whether interventions are effective, cost-effective, and have gaps in distribution that an entrepreneur could potentially fill.
3. **Draft the challenge** – If an intervention meets the above criteria, D-Prize uses the initial research to create a draft challenge. The challenge is meant to

provide a framework for operationalizing the intervention and typically includes a discussion of tactical issues – e.g., if the intervention involves selling a health product, are patients willing to pay and will the price impact uptake? It also includes a framework to establish an appropriate size for a pilot.

One of the challenges D-Prize faces is keeping up to date with the latest research. D-Prize most recently updated the research within challenges in mid-2016, and will do so again later this year.

### *Applicants*

D-Prize receives approximately 1,000 proposals per year. In the most recent competition, 610 proposals were submitted. D-Prize awards prizes to about 2-3% of all proposal applicants.

The proposals typically come from:

1. Graduate students or other people with university affiliations.
2. Entrepreneurs from and/or working in Sub-Saharan Africa, India, and other developing countries. This is the fastest-growing segment for the competition.
3. People already working in the poverty reduction sector – e.g., early-stage organizations seeking funding or non-profit organization employees looking to work on an independent project.

These are the three segments of participants that D-Prize targets with its outreach program. The types of applicants may change if D-Prize changes its outreach strategy.

### *Criteria for receiving a prize*

In order to receive a prize, an applicant's proposal must meet the following criteria:

- **People** – D-Prize heavily weights funding people who are right for the role.
- **Ideas** – The proposal must focus on distributing a proven poverty intervention.
- **Evidence** – D-Prize looks for candidates who are interested in the evidence behind the intervention they are proposing and have “strong ideas held weakly” – i.e., are interested in experimentation and are open to pivoting if the evidence shows that the intervention is not adequately impactful.
- **Scale** – D-Prize funds pilots that could grow to serve millions of people. If the distribution model does not have the potential to scale rapidly enough, D-Prize does not fund it.

### **Partnership competitions**

In addition to global competitions that are open to everyone, D-Prize cohosts

competitions that are open to candidates from specific universities and fellowship programs. Over the past few years, it has partnered with seven universities and one fellowship program, the Global Health Corps in New York City.

D-Prize received just under 100 submissions in 2016 through partnerships, and will support between 5-8 launches. Partnerships require a higher touch and scale slower than global partnerships, but have the enormous value of reaching high-talented people before they have locked-in career choices.

Currently, Mr. Fusso does not have the bandwidth to offer substantial assistance to facilitate partnership competitions. With more human resources at D-Prize, it could be possible to offer university administrators more help in facilitating the competition, with a focus on increasing the quality of the applicant pool.

### **D-Prize-funded pilots**

#### *Success criteria*

After an applicant receives a prize and runs a pilot, D-Prize considers the pilot successful if it:

- **Scales quickly** – D-Prize expects a pilot to grow twofold annually, both in operations and in the number of beneficiaries of the intervention.
- **Continues to be evidence-based** – D-Prize expects its prizewinners to focus on continuous testing and have a strong monitoring and evaluations program.
- **Continues to focus on global poverty reduction** – Some pilots have grown rapidly and become successful companies but have pivoted away from distributing poverty interventions.

Of all the prize recipients, only a fraction of those who start a charity continue to grow it beyond the pilot stage and scale to serve large numbers of people.

#### *Notable successes*

- **Young 1ove** – This is the most successful D-Prize winner to date. D-Prize was impressed with Young 1ove's founder and the idea it focused on, which was backed by a randomized controlled trial (RCT) implemented by J-PAL. Young 1ove initially began with a small pilot in Botswana, implementing the intervention that was tested in the RCT. After the success of the pilot, Young 1ove focused on growth. It is now launching a countrywide campaign in Botswana and considering an expansion to a new country. This is the level of impact that D-Prize hopes to see with all of its prizewinners. Young 1ove has also continued to test the effectiveness of its intervention. It is working with Evidence Action to repeat the RCT, in order to verify that the scale of impact matches its expectations. It is open to pivoting if the results show that the

intervention is not effective.

- **Other successes** – Some of the other successful prizewinners include younger ventures, such as Colibrí, a solar energy distribution company in Central America.

## **D-Prize operational structure**

### **Staff**

Mr. Fusso is currently D-Prize's only full-time staff member. The three other D-Prize co-founders work very part-time on the project and do not receive salaries. D-Prize also enlists the help of some volunteers.

### **Activities**

Mr. Fusso allocates his time between the following areas:

1. **Outreach program** – Mr. Fusso's top priority is finding ways to increase the quality and quantity of the applicants to the D-Prize global competition. His work in this area includes a) managing D-Prize's email and social media platforms, and b) strategizing on how best to grow the number of people reached by these platforms. The latter includes thinking about where to find promising prize applicants and how to reach them with messaging about the competition, as well as testing and experimentation – e.g., sending different types of emails to determine which messages perform best at attracting top talent.
2. **Evaluation of prize candidates**
3. **Fundraising**
4. **Administrative tasks**

### **Outreach program**

#### *Strategy to date*

D-Prize's earliest outreach efforts were focused primarily on U.S.-based graduate students. D-Prize has continued to use mostly digital marketing – e.g., email and social media – to reach individuals and encourage them to apply for the prize.

When D-Prize began to do outreach in Africa, it continued to use digital marketing to reach universities, startups, and key influencers with large social media followings of entrepreneurs in Africa. However, digital marketing has been less successful in Africa than in the U.S., possibly due to weaker communication channels – e.g., finding emails for student leaders or professors is more difficult in Africa than in the U.S.

#### *Expanding outreach capacity in 2017*

This year, D-Prize is considering the following changes to its outreach program:

- **Hiring an outreach-focused full-time staff member** – The goal of this hire would be to double the current staff capacity of D-Prize and experiment with finding new ways to increase the number of high-quality D-Prize applicants by 20-50%.
- **Expanding beyond digital marketing** – D-Prize is especially interested in exploring different outreach strategies in Sub-Saharan Africa, e.g., in Kenya or possibly Uganda. It is considering employing a volunteer or paid country director who can find more ways to engage local entrepreneurs.
- **Targeting new segments** – D-Prize is considering targeting different kinds of applicants with digital marketing, including mid-career professionals – e.g., doctors who have worked in Sub-Saharan Africa and may be interested in taking on a different charitable project. These people may be particularly well suited for a D-Prize award, given their expertise in health interventions and understanding of the region.

## Budget and funding sources

### 2017 budget

D-Prize has a target budget of approximately \$850,000 this year, compared to last year's budget of \$550,000. D-Prize expects to raise \$650,000 from existing donors and need to raise \$200K from new donors.

About 70% of this will go towards funding the prize awards, and 30% will go towards operational costs, including:

- **\$165,000** – Mr. Fusso's salary (\$80,000), the salary of the new outreach-focused staff member (\$65,000), plus benefits.
- **\$42,000** – The cost of the consulting company that D-Prize works with on fundraising tasks, e.g., drafting grant reports and quarterly reports.
- **\$40,000** – Other operational expenses, including a co-working space in San Francisco, visits to pilot projects and key donors, projects to improve the evaluations process, taxes, accounting and legal fees.

D-Prize expects to have sufficient funding this year to hire for the outreach role because it was able to operate under budget and has extra cash remaining from last year. However, D-Prize will still need to fundraise, since the additional salary will be an ongoing cost.

### Funding sources

- **Foundations** – Family and other philanthropic foundations, e.g., the Segal Family Foundation, provide about 65% of D-Prize funding.
- **Private donors** – Private donors, including some long term donors who supported D-Prize's launch, cover the approximately \$250,000 annual operating costs as well as some of the prize costs. However, some of the early

donors who helped D-Prize launch will not be contributing to D-Prize this year. Additional fundraising will be needed to cover this deficit.

### **Room for more funding**

D-Prize has the ability to absorb an additional \$250,000 this year (for a total \$1.1M budget). Additional capital would enable it to pilot new programs.

#### *Expanded operations*

If D-Prize were to receive additional funding beyond its target \$850,000 budget this year, it would invest in local outreach in Sub-Saharan Africa or India, e.g., funding a part-time staff member or leveraging another method of local expertise. Mr. Fusso has done some early-stage thinking on this, but some additional effort will be required to formalize the ideas and create a budget for this project.

#### *Additional prizes*

If D-Prize's outreach efforts succeed, a larger number of high-quality applicants will enter its competitions. If this were to happen, D-Prize would allocate some additional funding into more prizes, in order to maintain a 70-30 ratio of funds spent on prizes and operations, respectively.

#### *Longer-term growth and experimentation*

With more resources, D-Prize would be interested in running more experiments to grow the pipeline of prize applicants and increase the success rate of pilots. This could include:

1. **More experimentation in outreach** – This is D-Prize's highest priority. The current budget for outreach this year would allow for some experiments that could lead to growth in the number applicants – e.g., testing of different social media and email strategies. Additional funding would likely be required to drive exponential growth.
2. **Increasing award size and testing different award structures** – This is the next highest priority for D-Prize after outreach. D-Prize has seen some evidence that \$10,000-\$15,000 prizes may not be the right amount to fund three-month pilot projects. Many promising pilots have run out of funds and struggled to acquire more funding before the timeline of the project ended. D-Prize is interested in experimenting with increasing award size or structuring awards differently to see if this increases the success rate of pilots – e.g., providing an additional grant of \$20,000-\$30,000 or adding 6-month and 12-month funding milestones after the initial three-month pilot period, which would allow successful pilots to continue to receive funds.
3. **New programming ideas** – Mr. Fusso sees promise in piloting other ways to connect with talented entrepreneurs, outside of the global competition and partnership programs. E.g., creating a standalone outreach program to target

mid-career professionals.

All of these ideas require some amount of D-Prize staff resources to plan and execute. Some – e.g., experimenting with different award sizes and structures by creating an experiment, setting up data collection, and running a test – are relatively low-cost, and it is unlikely that D-Prize would hire a new staff member to focus solely on those types of project. However, other ideas – e.g., creating an outreach program targeting midcareer professionals – may require substantially more time and effort than Mr. Fusso currently has bandwidth for.

While Mr. Fusso believes D-Prize will eventually be able to take on much of this work with two staff members, at some point D-Prize may face resource constraints and may need to evaluate whether to continue its current operations as-is or raise funds to hire more staff.

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