How should we assess the Value for Money of Innovation Prizes for development?

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IDEAS TO IMPACT: SUMMARY.

Applied Research Programme funded by DFID’s Research and Evidence Division

Innovation – technology, systems, processes

12m beneficiaries by 2025

Five multi-stage prize schemes

Research and evaluation outputs

www.ideastoimpact.net
WHAT IS AN INNOVATION PRIZE?

“A financial incentive that induces change through competition.” (Ideas to Impact definition)

Not a recognition prize: solvers are rewarded for actions that otherwise would not have been undertaken.

Not a Challenge Fund: decision about prize awardees made and money distributed after results have been delivered; risk greater for participants than donors.

Different to Results Based Finance: not all who deliver results are paid and participants are not pre-defined.
WHAT VALUE CAN PRIZES CREATE FOR DONORS?
Prizes can stimulate these added effects. One prize can deliver one or several effects.

RAISE AWARENESS
Brings issue to people’s attention or increases their understanding

PROMOTE BEST PRACTICE
Identifying best practice in a certain field and encourage adoption. Or make potential solvers aware of current best practice as part of the prize application process

MAXIMISE PARTICIPATION
Benefits to the sponsor are provided by all effective participants not just by the winners

POINT SOLUTION
Finding a solution to a problem that has been broken down to a component part. For example a new product or process. Problem is highly specified

MARKET STIMULATION
Helps increase economic activity in an existing market or starts a new one for particular good or service

STRENGTHEN PARTNERSHIPS AND NETWORKS
Raises visibility and focuses attention of others on who else is working in the space, helping to establish new networks and strengthening partnerships towards a common goal

OPEN INNOVATION
Open innovation enables new solvers to the field of endeavour (can include local and grassroots innovators)

ALTERING THE POLICY ENVIRONMENT
The sum of other prize effects lead to changes in policy
WHAT VALUE DO PRIZES OFFER LOCAL SOLVERS?

Benefits reported to date include:

*Open competition*: Practitioners and researchers; small and large organisations can participate.

*Financial control*: Winners can spend the award money as they choose.

*Capabilities strengthened*: new partnerships, increased technical knowledge, etc.

Further benefits anticipated by the end of the programme include: knowledge increased, networks improved, public profiles raised and better policies in place.
WHAT TYPES OF COST DO PRIZES INCUR?

a) Running the prize
   • online platform
   • promoting to potential solvers
   • processing applications and questions
   • managing judging and verification processes
   • making financial awards

b) The financial incentive
   Prize purse = total money available to award

c) Creating non-financial incentives
   Networking, learning, public profile of prize, etc.

d) Lowering barriers to participation
   Translating submissions in local languages, orientation workshops, etc.

e) Augmenting the prize’s effect/s
   e.g. creating added value by hosting awards ceremonies to raise awareness of an issue
HOW PRIZE TYPE COULD AFFECT COSTS

Running the prize  The financial incentive
Creating non-financial incentives  Lowering barriers to participation
Augmenting the prize’s effects

Example costs for a Global and National Prize
HOW PRIZE TYPE COULD EFFECT COSTS?

(continued...)

Global Prize:

• Aims to reach an international pool of solvers (including private sector), which will require a higher financial incentive

• Running costs are slightly lower as there is no need for an in-country implementing agent and there is less concern about lowering barriers to participation.

National Prize:

• Directs resources away from the financial incentive into creating non-financial incentives and lowering barriers to participation
What is Value for Money (VFM) in a prize context?

VFM is “the optimal use of resources to achieve the intended outcomes” (National Audit Office)

VFM analysis of prizes includes comparing prizes to other forms of development funding.

Economy = spending less
- Outsourcing aspects of running the prize if more economical e.g. national implementing agent, full-service prize platform, etc.

Efficiency = spending well
- Basing prize design (and expenditure) on evidence from other prizes, and using prize monitoring data to redistribute funds while prize runs.

Effectiveness = spending wisely
- Calculating the level of stimulus induced versus the sum of prize costs.

Equity = spending fairly
- Ensuring all solvers in the target population are able to participate and avoiding reinforcing inequalities.
EXAMPLE VFM INDICATORS FOR PRIZES.

Economy = spending less
- average fee rates
- ratio between national and international staff

Efficiency = spending well
- percentage spent between running prize, prize purse, non-financial incentives, reducing barriers to participation, augmenting effects

Effectiveness = spending wisely
Determined by Theory of Change, for example:
- Government budgets demonstrate increase in funding for urban sanitation from the baseline
- Number of poor people living in the utility service area with increased water access due to non-revenue water reduction

Equity = spending fairly
- Number of prize winners that are women, or entities led by women
- Number of winners new to DFID funding

*Indicators are not applicable to all prizes e.g. national staff may not be relevant for some prizes (economy)
CHALLENGES OF ASSESSING VFM FOR PRIZES?

**Benchmarking:** Prizes are not all directly comparable (different effects and solvers can affect budget-setting).

**Including social costs:** Difficult to obtain reliable costs to solvers and users of solutions.

**Changing costs:** Multi-year prizes affected by inflation and discounting; multiple exchange rates may apply.

**Putting a value on a benefit:** e.g. increased adaptive capacity to climate change.

**Measuring a wide range of effects:** some may be hard or costly to measure e.g. awareness raising or partnerships.

*Source: A Framework for Evaluating Innovation Challenges, AgResults*
WHAT NEXT FOR VFM OF PRIZES?

Ideas to Impact’s thinking on how to assess the Value for Money of prizes is a work in progress.

Updates to this presentation and other related outputs will be made available on the Ideas to Impact website and we invite you to share with us your thoughts and questions.

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