

ideas to impact.

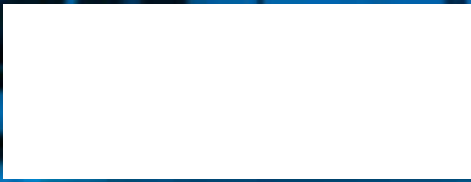
Innovating in development:

Sharing learning,
improving impact

Workshop report

2-day workshop, February 2017

Organised by IMC Worldwide, Ideas to Impact,
DFID, USAID, and Rockefeller Foundation



Innovating in development workshop report

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Message from the event team.

In February 2017, 55 people met in London for two days to share learning across different areas of innovation work, and catalyse a community of practice to accelerate innovating in international development.

Participants came from government, public sector, not-for-profit, philanthropic and private sector, from international development and humanitarian assistance spheres, with shared passion to make change happen.

At the 2015 Financing for Development conference in Ethiopia, 12 organisations called for innovation in international development to support achievement of the SDGs. Today, implementation of SDGs is gaining momentum, and innovation in development programmes are tackling global challenges through diverse approaches—grant-making programmes, challenge funds, innovation prizes, and social impact bonds.

There are many success stories, but, in many areas there is still a strong sense of ‘business as usual’, despite the urgency needed to meet innovation challenges soon. As aid agencies grapple with limited public funds, reaching the SDGs through conventional development programmes alone will be impossible. We need combined efforts to create innovative solutions to meet challenges facing the poorest communities.

The event discussions were rich, reflecting diverse perspectives and operational experience from many sectors. Participants valued the rare opportunity to reflect and share learning and make new connections with others facing similar challenges. But this event is just one step—we need to involve local innovators, entrepreneurs and implementing agencies in developing countries to really create change.

This report summarises key lessons from our discussions.

ideas to impact.



"The event confirmed our hunch that we have so much to learn from each other if we can just get out of our silos and make a space to connect with innovation peers and counterparts from across the spectrum of development and humanitarian sectors, NGOs and the private sector. It was a great couple of days - energising, inspiring and useful."

Isabel Vogel
Independent Evaluator
Innovating in Development Event Facilitator

EVENT OVERVIEW

A learning journey to explore three broad themes through presentations and open group sessions to ask "what do we already know? What's working or not working? What do we need to tackle next?"

THEME 1: Scaling, replication and diffusion

Different routes to scaling, funding scaling, and "Mini but mighty" (when small-scale and grassroots innovation is right)

THEME 2: Innovation ecosystems

Ecosystem objectives, what's needed, and collaboration, trust and relationships

THEME 3: Risk

Working proactively and adaptively with risks. "Act fast, measure slowly". Sharing reputational risks. Ethical risks of innovation, and unintended consequences

Opening session: Where are we, and where next?

Ken Banks, UK DFID Entrepreneur in Residence, challenged us to reflect on why, despite identifying principles to guide innovation efforts more than two years ago, we are still not meeting them.

Sharing 15 years of observation as a practitioner and entrepreneur, Ken identified the following issues:

Global development is complex and challenging. No gatekeepers, no-one with ultimate decision on what needs to be done, and little coordination in terms of innovating for development. Patchy progress since 2005.

Funding too many pilots, and too few go to scale, but how appropriate to be so scattered when resources are so scarce?

Should embrace failure. Need to shift narratives, management tools, and financing to work better with failure and iteration as positive parts of innovation. Most Silicon Valley start-ups fail. Are we willing and politically able to run that kind of risk?

We remain obsessed with novelty. We overlook simple tech that works, and we risk contributing to chaos with multiple apps for same issue, instead of trying proven solutions, often simpler.

Innovation in development is closed, siloed. For example, mobile health often doesn't cross into health innovation, let alone into other sectors.

But open innovation does not always help either. Innovators work in developed countries to try to solve problems remotely, then fly in to test with poor communities, while we still fail to support local actors and build systems they need to develop homegrown solutions.

Does everything have to scale? Is it enough to solve a specific problem in a specific place if it reduces poverty or human suffering? What happens if we all just tackle big problems?

To tackle this, Ken called for:

Critical, stringent questioning of the need for new tools and tech when existing technologies could be applied.

Shifting to a holistic focus, onto unmet needs and problem-solving, bridging across sectors and silos and encompassing innovations in processes as well as technologies.

Setting achievable vision and targets for working with local innovators, enterprises and institutions to solve problems where they exist. For example: aiming for half of development innovation funding to go directly to local innovators by 2020.

Helping donors develop appropriate and flexible financing and management for support to innovation, especially within developing countries.



"We don't have a shared vision of 20 years from now, more local innovation, more local capacity building, and at least half of the stuff we fund being developed locally in where problems exist... Right now, we work badly towards a goal that we don't have."

Ken Banks
DFID Entrepreneur in Residence
Founder of kiwanja.net
Creator, Frontline SMS





Theme 1

SCALING REPLICATION AND DIFFUSION

Scaling: Taking an idea, process, business model or enterprise, proven to have a social impact, and growing it through appropriate pathways - either market-based, institutional/state-based, civil society-based, or combined - to reach and meet the needs of significantly large numbers of people living in poverty in multiple locations.

Theme 1: Scaling, replication, and diffusion.

Challenges

- Complex, multiple pathways to scale (public, private, hybrid; horizontal or vertical or both; growth enterprise, replication, adaptation; collaboration)
- Weak infrastructure for transport, energy and technology, and basic, partial, or non-existent value chains and business support systems
- Lack of engagement of innovators with local social and cultural dynamics
- Risk aversion among investors
- Variable government, policy and regulatory environments
- Markets and businesses often not best-placed to reach most marginalised and vulnerable groups. Low awareness of low-income customers of new potential solutions

Presenters

David de Ferranti, Results for Development (R4D)

Scaling approach developed by International Development Innovation Alliance. Group of funders committed to advancing innovation for SDGs
www.r4d.org

Anna Skeels, Humanitarian Innovation Fund

Scaling support programme in humanitarian assistance
www.hif.org

Presentation takeaways

- **Each innovation has a unique context-specific journey to scale that cannot be fully foreseen.** Needs different support at different stages: finance, management mentoring, partnership brokering.
- **Establish 'scale vision' for solution.** Including mapping appropriate pathway to scale, whether public, private or hybrid, through expansion of enterprise, collaboration or replication by others, even if this may change.
- **Identify influencing factors that could accelerate or constrain the scaling journey.** Examples: innovators' leadership capabilities and incentives, external factors such as need for partnerships.
- **Understand critical environmental factors.** Includes market demand, which needs to be established early on to provide the 'pull' for scale.
- **Then provide tailored support along the journey.** Finance, mentoring and M&E support, partnership brokering, as well as sector-specific support, adapting as needed.
- **Consider how to support a team to pivot and the costs involved.** Given unpredictability of scaling, innovators and implementers need freedom to change direction and plans without being constrained by project ToRs, though costs of switching must be understood early on.
- **Accept reality: very few scaling ventures take off.** Lessons from venture capital suggest 1 in 5 or less succeed.

Key lessons

Define vision, language for 'scale' (and understand that context matters to scaling journey)

- Terminology differs among sectors (example: humanitarian vs energy access)
- 'Scale' and 'transformational change' used interchangeably. Do we accept that scaling an innovation often implies behaviour change and systems change?
- Understand behaviours and systems that may be 'disturbed' in a low-resource, low-infrastructure context. Do 'consumers' of the change being scaled up want it? Disruption can be very negative for least-advantaged. Support for them needed.
- Right on-the-ground partners essential to understanding factors in the scaling journey. Trying to solve problems remotely (almost) never works.

Be more realistic about timeframes and expectations of success

- Growth, funding and time lead to scale, which we usually don't have in innovation programmes. We need more than usual 3-4 year project cycle to see change between testing and outcomes. Changing behaviour and culture takes longer than 3 years. World Vision has a 15-year timeframe. DFID's 1990s livelihoods programmes had 10-year timeframes. Evidence shows this worked.
- Experience from start-up funding of innovators suggests that success follows learning about process through many pilots over time to develop potential of product or process innovation. Expecting scaleable, viable solutions from first attempt and £10,000 project grant will fail 99% of time.
- Establish metrics to define when initiatives have reached scale, and how long they need to stay there to demonstrate sustained scale. Short-term project cycles (typically 3-4 years) and changing donors' priorities feels like jumping through hoops, with little coordination or continuity in innovation funding. Monitoring systems can be onerous, counterproductive and too numerous. No coordination to share operational lessons.

Stage-gating and escalator models work

- Participants identified good examples of phased funding approaches, such as initial funding to test partnership/relationships before scaling the partnership.
- Stage-gate and escalator models also integrate process learning because they need evidence at each stage of effectiveness, market demand, business model and potential for outcomes when transitioning for scale, and evidence of impact while scaling.

Combining strengths, and cross-sector collaborations: building the 'dream team' works

- Blending organizational capabilities for scaling can work well. Combining innovators from the global South and North



"We know from work done by OECD that innovation can widen gaps between the poor and rich. So when we talk about scale, we need to acknowledge the possibility that some people could be left behind. Maybe every innovation programme needs some honest question time to figure out the problems it may cause."

Bryony Everett

IMC Director, Worldwide region
Ideas to Impact Programme
Director
Event convenor

can be effective. Cross-sector/issue collaborations can bridge silos.

- Local innovation could be sparked by bringing developing country entrepreneurs to visit northern institutions, reversing the more common approach.
- Collaboration needs close trust, for example between system-level actors such as donors and implementing organisations that manage funds. Objectives must be aligned. Good communication needed to foresee challenges.
- Avoid thinking of homogenous groups of donors, entrepreneurs etc. Proactively seeking differences in perspectives and skill-sets needed to bridge silos.

Scaling: opportunities and challenges

Wider range of instruments for funding and financing scaling needed.

- Innovations must be supported after initial benefits demonstrated: financial support to bridge 'missing middle' investment between pilot, transitioning for scale and longer-term investment.
- Follow-on support could be provided through donor financial support beyond technical assistance and capabilities, but thoughtful programme design needed to prevent delays and prepare ventures for later funding.
- New programme management and disbursement approaches needed to make donor support more flexible. Example: testing assumptions and hypotheses instead of delivering milestones. Testing assumptions builds evidence and knowledge about problems, solutions and outcomes, rather than incentivising delivery of activities.
- Concerns about appropriateness of keeping new enterprises dependent on sequenced donor funding (rather than becoming self-sustaining businesses).

We must improve sharing of evidence and lessons.

- Global Innovation Exchange aims to structure the information marketplace, but participants felt that marketplace for innovation in development has not developed. Evidence and learning must be curated to promote learning from stories of success and failure.
- Better sharing of practical tools needed. Includes scaling frameworks, political economy analysis of countries and sectors, shared mechanisms.

Systemic approach to scaling, including influencing social norms, needed.

Systemic approach to scaling needed for overview of potential pathways in a country or sector. Working at systems level enables agencies to help innovators tackle regulatory barriers, or influence social norms that can create 'pull' and demand in key social sectors, such as education, and water and sanitation.

We need better system-level coordination, as no single agency can cover it all.

However, no single organisation can cover all systemic aspects around innovation, so as system actors, how do we know we are working at right stage, with right interventions, aligned to our capabilities? Suggest a systems overview but then to understand your place and role, and avoid over-reaching capabilities.

At international level, coordinating bodies already established. For example, International Development Innovation Alliance (IDIA) in development, the Global Alliance for Humanitarian Innovation (GAHI) in humanitarian. But they are relatively new. Participants want stronger coordination right from problem definition phase.

We need better understand when small-scale is right, supporting mini but mighty grassroots solutions

Not all solutions right for scaling. Sometimes, small-scale is right. Small-scale and grassroots innovation important in developing country settings, especially in India and Africa. Grassroots innovation often seen as generating locally-owned and locally-appropriate solutions, establishing small and medium-sized enterprises strongly rooted in communities, offering staying power and resilience.

Growing interest and literature on small-scale and grassroots innovation, often described as “human stories of massive small change”. SME entrepreneurs: international donor agencies simply cannot provide direct support. SMEs may be too small to manage project funds, they operate in networks, and are often not formal, registered businesses. At the same time, SMEs create employment, and can often engage young people, refugees, and other groups that may face problems in formal enterprises. Participants felt aggregation platforms not fully explored as potential route for donors to support grassroots innovation. Many aggregation platforms are now live, such as the START network, which could act as intermediaries for funding.

Action learning

- Donors and implementing organisations should explore moving from milestone-based disbursement to assumption-testing approach. Should also find ways to move to longer, more flexible staged funding cycles.
- Implementing organisations should develop guidance notes for organisations wanting to support small-scale innovation.
- A tag for ‘small-scale’ should be developed on the Global Innovation Exchange to make small-scale innovation discoverable, and promote a focus on finding similar markets, suitable for adaptation.
- Participants should explore options for convening a learning event on grassroots innovation with SMEs, aggregation platforms and other stakeholders.



Case study: Spring Accelerator – Changing our Theory of Change

Ramona Liberoff

"Our Theory of Change (ToC) assumed we'd be able to change everything from private sector behavior, to having a massive impact on girls, to the investment environment! Be realistic with what is possible in a time frame, and figure out where you're going to make a contribution.

The best that innovation programmes can do is share their learning far more openly, and also iterate frequently, as well as give people the skills to figure it out locally. We're an adaptive learning programme, using agile, approaches, which makes more work for us but at least helps one quarter turn toward the ultimate goal. For us, the key is to understand the shape of the team that you have and the constraints you must work within and then create freedom within that framework -and chuck out any goals that are extraneous, nice to have or that you aren't well set up to deliver on."



What is your objective
HOW CAN YOU VISUALISE INNOVATION ECOSYSTEMS

Different levels of ecosystem
'David McKinley'
basket of eels.

SCALING SUSTAINABLE & SCALABLE SOLUTIONS TO GLOBAL DEVELOPMENT CHALLENGES

DIFFERENT
ROUTES TO SCALE...

NAVIGATE

IS GETTING TO SCALE ENOUGH?
ISN'T IT ABOUT STAYING AT SCALE?

SCALE OR SUSTAINABILITY?

LOCALISE PROBLEM SOLVING

WHEN DO WE EXIT?
AS FUNDERS/SUPPORTERS

(Don't) Underestimate Internal Ecosystems (inside organisation)

Does 'scale' ignore the small, often overlooked markets?

INNOVATION ECOSYSTEMS



Theme 2

INNOVATION ECOSYSTEMS

Innovation ecosystems: “people, enterprises, institutions, policies and resources that support the translation of new ideas into products, processes and services” (Ramalingam et al 2015, p. 10). Interlinked with the broader business ecosystem, it involves similar organisations, customers and market intermediaries, but with additional roles and resources brought by research, technology, intellectual property and financial entities, and showing a greater degree of cooperation towards supporting and enabling the development of innovative technologies and solutions from discovery to implementation and delivery to consumers.

Theme 2: Innovation ecosystems.

Innovation ecosystems challenges

- Establishing shared vision of challenges around which to focus discovery, search and selection behavior.
- Ensuring supply of key resources – especially financial and human resources – access to assets and infrastructure.
- Encouraging openness in knowledge supply, with networks feeding in and recombining ideas from different sources and places.
- Understanding of user needs delivered by high levels of user consultation, involvement and co-creation.
- Support to both incremental and radical innovation processes – entrepreneurial exploration of novel solutions, with mechanisms to ensure that mainstream can assess emerging ideas and concepts.
- In developing countries, low levels of business infrastructure mean that developing innovation ecosystems means developing value chains and other industry intermediaries.

Presentations takeaways

David McGinty from HDIF Tanzania and Gareth Zahir-Bill from Shell Foundation both shared conceptual and practical ideas on ecosystems. The core idea is that the innovator is not an island. Supporting individual enterprises is only part of the picture. The reality is that in many cases, innovation requires system change and an enabling environment – for example, the development of industrial clusters, sectors, markets, supply chains, finance and regulation and other elements to make an innovation become an established product or service.

However, an ecosystem is not naturally occurring - intentional and unintentional factors come together. David McGinty used the metaphor of a vortex, as it emphasises key aspects of an ecosystem: energy and momentum; different entry points for entrepreneurs and investment; different stages of innovation that link people together; and different exit points. The whole ecosystem has to have forward momentum towards producing an output - new businesses registered, new products, a new cluster - depending on the desired objective. To intentionally build an innovation ecosystem, different objectives, as well as the context, sector and type of innovation should shape the approach taken.

Key learning points from both speakers included:

- **Understand the objective for building an ecosystem.**

Presenters

David McGinty, Human Development Innovation Fund (HDIF), Tanzania
HDIF catalysing innovation ecosystems to identify and support innovations with social impact potential in education, health, WASH in Tanzania
<http://www.hdif-tz.org/>

Gareth Zahir-Bill, Shell Foundation
Shared Shell approach to building ecosystems, based on energy sector experiences

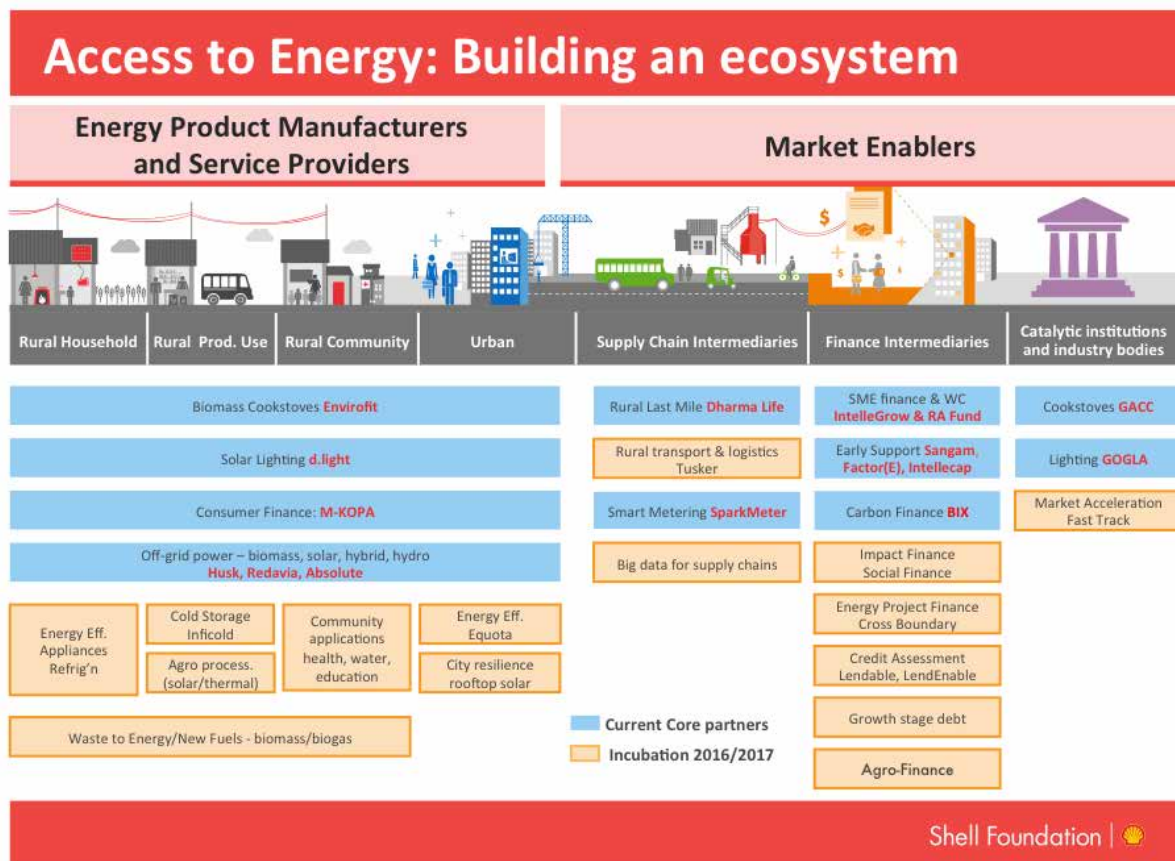


"The innovator is not an island, but is part of a network. Ecosystems, or industries, or enabling environment or clusters— they are all ways of looking at the broad idea that innovators are part of a larger network."

Stephen Hunt, Senior Energy Innovation Advisor, DFID

Different objectives mean very different approaches to building ecosystems. Examples of different objectives:

- Building an ecosystem around innovation itself – this would involve providing support to innovation in general, as a macro-economic activity within a country or sector. In this case, elements would encompass a system of strong institutions, economic outputs, knowledge outputs, research and development (R&D), patents, policy frameworks and environment, the enabling environment to get innovation to flourish in a specific area.
- Building an ecosystem to support innovation within clusters or value chains in a specific geography – this would involve stimulating a system to catalyse new ideas, new business models and new enterprises, for example to do more value-addition, within a specific cluster within a specific geography.
- Building an ecosystem to achieve a specific impact - this would involve identifying a desired impact, for example, improving early grade literacy by 5% - then tackling the whole system involved in driving early grade literacy - supporting actors, individuals, and policy environment.
- Building an ecosystem around a specific solution – this may be a technology like a drone, and support in this case would involve developing value chains, market demand, the enablers, and the regulatory environment.
- **In developing countries, ecosystems need more investment upfront** – both Shell Foundation and HDIF have found that the institutions, R&D and infrastructure are generally less developed.



- **Innovation ecosystems generate co-benefits too** - although the main objective might not be realised, new entrepreneurs are engaged, new skills developed and new collaborations emerge from different organisations being brought into the ecosystem.

Key lessons

Lesson 1. Some sectors require intervention to build ecosystems to reach scale

In a sector with high barriers to entry, such as energy, finance and mobile services that need regulation, innovators very soon need to tackle constraints - programmes may need to intervene at a systemic level, such as in the Shell Foundations' approach, to stimulate the 'market enablers' - the institutions, regulatory environment, value chain actors, industry bodies needed to achieve the objective (see Figure xx). Other sectors, such as digital or mobile technology, the nature of the innovation means that less direct intervention may be needed.

Lesson 2. Collaboration, trust and relationships are needed to make ecosystems work

HDIF's experience in Tanzania highlights the importance of being local and investing in relationship building - working within a country means that it is possible to build strong interpersonal networks and cultivate personal relationships to help grantees, share learning and bring people into the ecosystem, rather than relying on social media. Building an innovation community is helped by focusing on specific challenges identified by the community and convening innovation and knowledge-sharing efforts around them.

Action learning

Participants felt that the innovation ecosystem approach is a new and important area of work. We need to understand better how to bring ecosystem elements together when seeking to build them. Critical questions to further explore include:

- How do we connect global knowledge and finance flows to local innovators?
- How do we engage the connectors, curators, collaborators to catalyse learning and development, and to get the co-benefits from an ecosystem approach?
- What values should be catalysed in a given ecosystem? For social innovation and development impact, you need to bring in values of inclusion and empowerment.
- How do we engage governments in creating enabling environments - developing policies and institutions for innovation? How could this help establish an enabling environment for innovation around the outcome?
- What is our role in influencing ecosystems? There are contrasting approaches - for example, Shell Foundation, which supports a series of structured interventions to catalyse and build institutions and market regulation, contrasts with the innovation prize approach that posits that the system that is needed to achieve the outcome will by and large emerge.



"Our approach is to support innovation but then also build the other elements around it: the institutional support; the finance, human capital requirements, the real intensive market insights that's needed for those innovations to become successful and hopefully world-leading businesses that create demonstrable social impact."

Gareth Zahir-Bill, Shell Foundation



Theme 3

WORKING PROACTIVELY WITH RISK

Risk: a potential future occurrence of hazard, damage, loss or injury that is measurable and quantifiable in terms of the probability and mode of it occurring; uncertainty is where circumstances are not easily measurable in terms of probabilities, where neither the probability nor the mode of occurrence is known. Innovators face a range of risks and uncertainties, for example, affecting their operational models and delivery environments, risk of failure when testing new ideas, financial risks, as well as risks of unintended negative consequences that reduce social impact.

Theme 3: Working proactively with risk.

Challenges

The brief identified that in the international aid system there are a number of additional risks to already identified 'innovation risks' – operational and delivery risks; fiduciary risk; reputational risk to the donor; as well as safeguarding risks when working with vulnerable populations and low-income groups. In summary:

- Negative narrative around failure creates inappropriate expectations of success and the application of unsuitable measurement and performance management approaches.
- Reputational risk for public sector and government funders means that it is hard to reach local innovators in countries where the most urgent development challenges exist.
- Stage-gating and evidence can help manage risk at different stages.
- Ethical risks and safeguarding can be overlooked, as well as risks of unintended consequences. We from OECD- funded studies that innovation can widen gaps between poor and rich. Sector needs to acknowledge possibility that some people could be left behind, and innovation programmes can cause problems as well as solve them.

Key learning points

- **Not all innovations can be successful.** At least 50% of start-ups fail in first 4 years.
- **Risk can be managed through range of approaches at different stages throughout life of support.** GSMA Ecosystem Accelerator Programme uses the following:
 - Pitch stage: Identifying potential start-ups through local tech hubs in Africa and Asia, rather than open calls, and requesting social impact statement in first document.
 - Assessment stage: Financial due diligence and detailed proposal applications conducted. Team also conducts due diligence visit to applicants' countries to consult ecosystem stakeholders, customers, collaborators and partners. In-person, in-situ assessment.
 - Approval: conducted by independent panel of experienced investors.
 - Hands-on support from grant managers: each grantee provided with dedicated team member, who provides weekly and monthly check-ins, bi-annual site visits. Trantees attend annual learning event.

Presenters

Maxime Bayen and Rosie Afia, GSMA.
Experiences managing risks of working directly with developing country innovators in new Ecosystem Accelerator programme

Cheryl Brown, Ideas to Impact.
Shared learning on managing ethical risks in innovation inducement prizes working with in low-income countries



"The full ethical implications of innovation processes at different stages are not fully understood. Are they different in humanitarian contexts, for instance? Possible ways forward: ethical review panels, consortia with multi-disciplinary teams and different perspectives, do-no-harm principles. We have risk assessments, but quality can vary widely. We need to set out an ethical approach to innovation."

Veronica Di Bella
Team Leader, Ideas to Impact
IMC Worldwide Principal
Consultant, Environmental
Management

- Support from mobile operators and subject matter experts through GSMA: the wider GSMA network is mobilised to unlock collaboration and draw on experience to minimise risks.
- **Balancing the portfolio is a key strategy** - as a further risk mitigation strategy, the GSMA programme also aims for a balanced portfolio with geographic spread of countries in Africa and Asia; diverse projects at different stages of innovation and maturity (e.g. new product, expansion, scaling) and sectoral diversity.
- **For safeguarding risks, expectations of conduct and responsibility need to be established** - in working proactively to manage ethical risks. Unlike other sectors, innovation in development has yet to develop frameworks for safeguarding or codes of conduct.
- **Innovation prizes require particular scrutiny, as they effectively transfer risk from donors to innovators.** Unlike grants, funds are withheld until the problem has been 'solved', with local innovators bearing costs and risks of failure, and only the successful innovator gains any financial reward; developing a better understanding of risk, reward and safeguarding is part of learning that Ideas to Impact is developing with action research.
- **Critical questions** that Ideas to Impact programme is asking include:
 - Whose risk? Do all actors have the same power to choose which risks to accept? Are these informed risks? What other risks should we be considering? Are we using the right risk identifiers? How can we make risk assessment more objective?



CASE STUDY: Ideas to Impact – Design, Do, Reflect, Adapt....Design, Do, Reflect, Adapt

Gabrielle Minkley

"Setting out to test the hypotheses that innovation prizes can work in development, when prizes had never really been tried before in this sector, meant that we were going to come across some unknowns in delivering Ideas to Impact. We needed to be agile and responsive from the beginning as a programme. Having flexibility in our design, delivery, budgets, monitoring and evaluation, along with an open and collaborative relationship with our donor and partners, has all been essential for delivering an innovative programme focused on identifying innovative solutions.

Risk and uncertainty has been a feature of the programme and prizes from the beginning – by segmenting the programme (Design Phase, Implementation Phase, Evaluation Phase) and prize processes into stages (Stage 1 = Inducement Prize, Stage 2 = Implementation Prize), embedding regular review points and having an ongoing dialogue with partners and our donor, we have been able to pause, reflect and then adapt."

Key lessons

Approach failure and risks positively, with appropriate tools for each stage

Innovation is inherently risky. Risk is healthy and desirable if managed appropriately, as is failure, because it drives learning and improving. 'Failure' must be measured against appropriate expectations for the innovation stage. There are many risk management approaches - due diligence tools; DFID's own risk management framework - but we are still learning when and how to use at each innovation stage.

Open transparent relationships help manage operational risks

Openness between funders and implementers key to risk management and responsive programme and delivery management. Closer you are to the grantee, easier and more effective risk management is. But closeness must be established as part of a management partnership, incentivised, perhaps even co-designed approach to innovation in development programmes. Working with "new" innovation partners, such as combining tech innovators or investors with development organisations, also highlighted as an approach to working proactively with risks in innovation. This can work when thinking aligned and partners share perspectives on impact (i.e. new tech is not end point), but

achieving alignment still a challenge.

Frequent review points practical. Some participants trying to make reviews between funders and implementers frank - 'warts and all' - to raise risk awareness than conventional programme management. Depends on trust between funder and implementing organisation to discuss failure, at least internally. Combining external audits with more frequent informal relationship channels also mentioned, as both approaches highlight emerging risks and strategies to deal with them.

Understand better how to implement adaptive management - 'act fast and measure slowly'

There is need for flexibility to pivot in innovation programmes. But there is an operational challenge in allowing pivoting while retaining original objectives and staying on track. How much can you pivot?

Adaptive programming is a regular topic, but too few examples to learn from. Ideas to Impact is an example that has evolved organically. Flexible budgeting and more flexible monitoring and evaluation that allows pivoting is desirable, but many donor financial management systems cannot accommodate this.

Participants felt that the right monitoring and evaluation is a vital next step. Innovation programmes can adopt agile methods and cover much ground quickly, but conventional evaluation approaches struggle to deliver the right evidence for that stage and keep up. For grantees and entrepreneurs, conventional M&E needs a lot of resources and sometimes investment in specialist capabilities that are not justified at very early stages of piloting. There are examples of 'lean data' approaches, but these tools must be adapted to respond to accountability needs of public sector programme management approaches. A first step is to recalibrate expectations of what innovation programmes should be delivering at different stages.

We need to re-frame our view of reputational risk as risk-sharing through collaboration between funders, implementing organisations and entrepreneurs

The discussion brought out several points. Fundamentally, there is a need to balance risk with opportunity. Some participants put forward the view that that development sector funders are actually in the role of subsidising risks to pursue an opportunity for creating social benefit, opportunities that private sector players may not pursue on their own. If the intervention is perceived as positive, it can crowd-in other players to help to broaden the opportunity and balance the risks.

Participants highlighted how different perspectives on risk, and distance from implementation sites in developing countries can affect how reputational risk is perceived -credible implementing partners based in developing countries can help to counterbalance this. However, there is a need to recognise the reputational risks that managing organisations and entrepreneurs also take. Entrepreneurs are developing their brand and market position, and so they share the reputational risk with funders. This risk-sharing and collaboration could be recognised and made more visible, for example through co-branding.



"With innovation inducement prizes, how do you predict what will happen, that you are prompting the right change? What if things go wrong? We can tell you how we are tackling it so far: risk assessment, independent review panels, and in-country visits."

Cheryl Brown
Itad Associate
Evaluator, 'Ideas to Impact'
innovation prize programme

We need to explore further the unintended negative consequences of innovation processes in the development context

How much do we really understand about unintended consequences? 'Not enough', was the response from many. Participants felt this is an emerging area that needs urgent attention – we do not understand the full implications of innovation processes at different stages, for example, the potential negative effects of scaling a particular solution in a developing country context.

The discussion group identified a strong ethical aspect to innovating in development – participants felt that, if you are interested in social impact, then others' behaviour or experience as a result of your work is your responsibility. It is important to understand that in a development context, low-income and poorer communities are already experiencing a degree of disruption. This can be more extreme in a humanitarian context, where disruption of usual practices or existing markets can, in extreme cases, mean loss of life or increased marginalisation in some contexts. System changes can bring risks to intended users of a new solution, and bring in unexpected users, which can be positive or negative. We have to appreciate that we do not, and cannot, understand everything outside our innovation projects and programmes – but having a precautionary approach to ethical and safeguarding risk should help mitigate unwanted negative consequences.

The group emphasised that in the wider context of developing countries, regulation is likely to lag behind social change due to technology and innovation, so moving into, or opening up, an as-yet unregulated sector requires a precautionary approach in a development context. The group concluded that, as funders and implementing organisations, we need to hold ourselves to the highest standards, regardless of where we work. One route could be to develop codes of conduct for innovating in development, but we need to clarify who should focus on the ethics of innovation in development and at what level – donors, implementing organisations or entrepreneurs?

Action learning

Participants identified a series of action learning points to take forward through collaborative learning for each risk type.

Operational and reputational risks:

- **Change the hierarchy of priorities and expectations** - at earlier stages of innovation, learning rather than outcomes needs to be the focus of investment; this would improve the balance between risk and learning.
- **Donor expectations of outcomes and traditional programme metrics need to be re-oriented** - to meet the need for more flexible tools to measure success at different stages, alongside the need to set appropriate expectations for what projects will produce at different innovation stages.
- **Testing assumptions could be a better approach than a focus on outcomes, especially at early stages of**



CASE STUDY: Global Innovation Fund - Escalator approach

Ken Chomitz

"Think of the Global Innovation Fund as a de-risking machine. It works like an escalator. Promising but risky ideas board at the first floor, where they are tried at a small scale. We look for unintended outcomes, and try to resolve basic risks on whether the concept is feasible. Some innovations don't pan out, but those that do board the escalator for the second floor, where they are tested for impact and cost-effectiveness. More risks are resolved at this stage. Again some innovations may drop out, or get refined. Successful ones take the next escalator to deployment at scale. Learning never stops, and for some innovations further heights await."

POTENTIAL KEY QUESTIONS TO ASK IN INNOVATION RISK ASSESSMENT AND SAFEGUARDING:

Where does the need for innovation come from? Who decides?

Who benefits? Who loses out?

What is being introduced? New incentives or disincentives?

Who is involved / excluded?

How might this evolve – unintended consequences?

innovation – this would allow for pivoting in testing assumptions, rather than delivering a pre-designed plan, reframing pivoting as learning and improvement, not failure.

- **Prioritising learning means investing in programme, portfolio or ecosystem-level mechanisms for innovators to reflect on learning** - this potentially brings co-benefits for wider system stakeholders, adding value to project-level investments.
- **Bring procurement on board with different approaches** – changing procurement and management systems to be more flexible and adaptable is key to managing risk; disbursement approaches such as testing assumptions rather than activity/outcome milestones needs to be explored.
- **Adaptive M&E is needed** - no evaluation blueprint or pre-specified approaches, M&E must be adaptable and support learning; KPIs should be identified that are equally important to grantee and funder.
- **Changing the narrative around failure:** we still don't know how to talk about failure in a positive way externally.
- **Finding ways to cluster grantees can help to build trust and strong relationships with and amongst grantees, stakeholders, projects** – could help to stimulate a moral contract and ownership, in-person relationships and mutual accountability, but this will only come if we establish relationships of trust. Clustering grantees can help spread learning, which in turn can help to reduce risks.

Ethical risks:

- **Take a proactive approach to set out an ethical approach to humanitarian innovation and innovation in development** - principles, codes of conduct and self-regulation have a role, but as a sector, we need to be explicit about the values and ethical lens we bring to innovation in development, pay attention to 'do no harm', and blend it in to existing frameworks, e.g. human-centred design and other values-based frameworks from social innovation.
- **Consider what's driving innovation in target context and who decides.** Clarify knowledge and capabilities local people / target user groups need to be able to respond to disruption and efforts to change social norms. If capabilities are not present, then efforts need to be put in place to build that capacity, either directly or through partnerships.
- **Map the overlapping boundaries of responsibility towards how others are affected by your innovation work** – there is an 'innovation chain' from donor to implementing organisation to entrepreneurs and grantees to suppliers to end-users, but how should all these stakeholders be involved in developing codes of conduct or similar approaches?
- **Consider pushing risk assessment downstream.** Example: encourage service providers to assess risks to intended and unintended users.
- **Consider how to build in values into policy and regulatory environment** – for example, to promote inclusive markets and social impact. Other models in other sectors could be drawn on - e.g. existing humanitarian principles and codes of conduct – such as the SPHERE standards; the Ethical Trade Initiative, and global value chain codes that link stakeholders in a value chain.
- **Use ethical panels to review proposals** - multidisciplinary panellists can bring valuable diverse views on systems, stakeholders and potential risks.



“We spoke about public sector risk, especially in the development sector. There is an argument that we [development sector innovation-related practitioners] are unable to take risks, but I argue that everything we are doing within innovation is either taking or subsidising risk in a way that government or private sector might not do on their own. Maybe we are actually a 100%-risk investment.”

Seema Patel, Innovation Design and Advisory, Global Development Lab, USAID

An emerging learning community? Actions and next steps

The Innovating in Development event was a rare opportunity to step back and reflect – in their feedback, participants enjoyed sharing and learning from others' hands-on experiences: what worked, what didn't, and what should be changed on the ground at implementation level. There was energy and engagement, and a clear appetite to continue to learn collaboratively and support each other – joint actions will be taken forward by different members of the group.

But it was clear to all that this event is just one step on the journey. The next step should take us to a different location, somewhere in Africa or Asia, to bring local innovators into the conversation to learn from on-the-ground experience in the settings where we want to see impact. We should involve more private businesses to get their ideas and responses, and to learn from the experience of combining development aid with private sector actors, as well as smaller entrepreneurs and local start-ups, if we are really to drive change forward.



“In the US, we have informal communities of practice of organisations and individual champions who think about these type of questions, and there's a robust knowledge exchange going on there. I would love to see more exchange between them and groups here in the UK and Europe and globally, and to share that learning. We have the same conversations, but maybe now we need coordination and thinking about how we can move forward as a global community around these topics.”

Hunter Goldman, Senior Program Associate, Rockefeller Foundation

ideas to impact.

