



INNOVATION PRIZES FOR WATER & SANITATION

LEARNING BRIEF

The UK Aid-funded Ideas to Impact programme is testing whether prizes can be designed to achieve significant benefits for marginalised and impoverished communities. It is doing so through the design and launch of five innovation prizes, intended to stimulate and incentivise scalable solutions for longstanding challenges in three thematic areas: water and sanitation, energy access and climate change adaptation. The programme defines an innovation prize as a financial incentive that induces change through competition.

This learning brief summarises the findings of our initial research phase and early prize design in the water, sanitation and hygiene (WASH) sector. More specifically, it:

- Sets out the role that innovation prizes can play in general terms;
- Discusses how innovation prizes might be used in the WASH sector – outlining a number of critical WASH challenges affecting low-income households and considering where prizes might prove effective interventions;
- Introduces the two WASH prize concepts being taken forward by Ideas to Impact; and
- Presents emerging lessons and conclusions.

In sum, our research has led us to conclude that, while not a panacea, there is a role for innovation prizes within the WASH sector – particularly when designed to ensure scale-up of new or existing solutions, and when used in combination with other approaches as part of an overall programme. We will be testing these findings through the launch and implementation of two prizes, one focused on motivating local governments to support the development of integrated urban sanitation services and

another one aimed at financial innovators to design innovative approaches to tackling the problem of non-revenue water in DFID focus countries.

WHY INNOVATION PRIZES?

Innovation prizes aim to stimulate or induce innovation rather than reward good performance ex-post. Innovation in this context can be understood in its broadest form – it does not have to be technical but can involve, for example, a change in behaviour or practice or the design of new business models that can successfully scale up technologies. Innovation prizes require that applicants are able to bear the risks involved in competing when the chances of winning are small. This makes prizes an attractive proposition for sponsors, in that they do not incur the costs of trialling innovations that might fail. While the financial reward is usually a significant incentive for applicants, other benefits must exist to make the risk of entering worthwhile. Such potential benefits include recognition and increased public profile through, for example, media buzz.

The interest in using innovation prizes to address development challenges is part of a broader change in the way that development interventions are funded: a

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shift towards a results agenda, aimed at making aid more effective by linking funding more closely to results. This shift is built upon an analysis of the weaknesses (and in some cases failures) of the traditional input-based grant models. The few examples to date of innovation prizes being used to address development challenges (e.g. the Bill and Melinda Gates Foundation Reinvent the Toilet Challenge), have focused on technological innovation, and in so doing have found it difficult to demonstrate results on the ground at scale. If we conceive of innovation prizes in a development context as an extreme form of results-based financing – in which remuneration is fully linked to results achieved – it makes sense to use prizes to induce solutions at the results end of the innovation chain rather than at the idea and invention end.

INNOVATION PRIZES IN THE WASH SECTOR

The Ideas to Impact programme has developed a four-stage guide to assessing whether and how prizes will be effective in particular contexts. Using this guide as a framework, we undertook a broad review of the WASH sector to identify unresolved challenges which could potentially be overcome with the help of innovation prizes. Our analysis was based on prior knowledge of the water sector; an evaluation of current government and donor priorities; consultation with thought leaders in the sector and targeted literature review. Many of those consulted agreed that the WASH sector is one in which 'shiny new toys' are not what is needed to achieve lasting change at scale, particularly in the developing world. In many cases, the technical solutions exist. Instead, what is needed is a means of overcoming barriers to the widespread adoption of these solutions, such as affordability constraints or political resistance. As a result, sector experts argued that the WASH sector urgently needs innovation in terms of business and contractual models as well as financing mechanisms.

With this in mind, a rapid scoping exercise allowed us to identify 14 specific 'prizeable' challenges that limit the ability of low-income households to access sustainable services. These can be grouped into six areas:

- Water supply
- Sanitation
- Financing WASH
- Safe water
- Water resources management
- School WASH

SELECTED PRIZE CONCEPTS

From these potentially prizeable areas we selected two prize concepts to take forward to detailed design.

Clean City aims to induce innovation around integrated urban sanitation systems by rewarding municipalities who successfully develop and implement integrated urban sanitation plans. The prize will be launched in Ghana, where responsibilities for sanitation have been decentralised to municipalities who are struggling to provide essential services to keep up with population growth. Through media buzz, the prize will put the spotlight on the issue of inadequate sanitation, which is expected to stimulate political engagement at the local and central government levels.

Dream Pipe emerged from the aggregation of two separate problem areas: high levels of non-revenue water (NRW) are an intractable problem in developing countries while lack of financial innovation in the WASH sector compounds the problem. As a result, the sector is unable to attract the investment needed to tackle the issue. The prize will seek to stimulate the development of innovative contractual and financial arrangements to support NRW reduction activities implemented by water utilities in developing countries.

CONCLUSIONS

Following the thorough process of research and consultation summarised above, we feel confident in the following conclusions with regards to the application of prizes to the WASH sector:

- Innovation prizes are not a panacea: it is absolutely essential to weigh up advantages and disadvantages from the point of view of both sponsors and applicants;
- Innovation prizes in the WASH sector should seek to develop solutions that can be developed and adopted by utilities and not only focused on small, decentralised solutions;
- Innovation prizes need to be considered and developed in the context of broader support programmes so as to act as a catalyst for larger investments.

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