



INNOVATION

DEVELOPMENT CO-OPERATION **FUNDAMENTALS**



Innovations are concrete solutions — new technologies, business models, policy practices, approaches, partnerships and insights — that effectively address intractable development challenges and barriers to empowerment, so as to improve the lives of the poorest and most vulnerable.



WHY IS IT IMPORTANT?

The Sustainable Development Goals (SDGs) and the Paris Climate Agreement created both a **mandate** and **imperative for innovation**.

Innovation for development enables actors to explore new pathways to address the development challenges of today and tomorrow. Innovation in development co-operation supports breakthroughs in business models and service delivery, and helps to address complex challenges and the unprecedented pace of change.

Innovation capabilities also enable governments to **steer sustainable growth and human development** more effectively.



The purpose and role of innovation is specified in strategies. This sets out risk appetite, responsibilities and incentives.



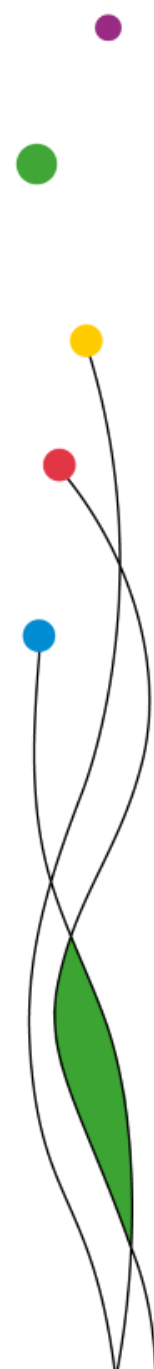
Innovation efforts and investments are informed by evidence. Systems to test, learn and adapt are established.



Strategic innovation portfolio management balances risks and rewards.



Innovation generates social return on investment, advances learning and helps DAC members adopt new ways of working.



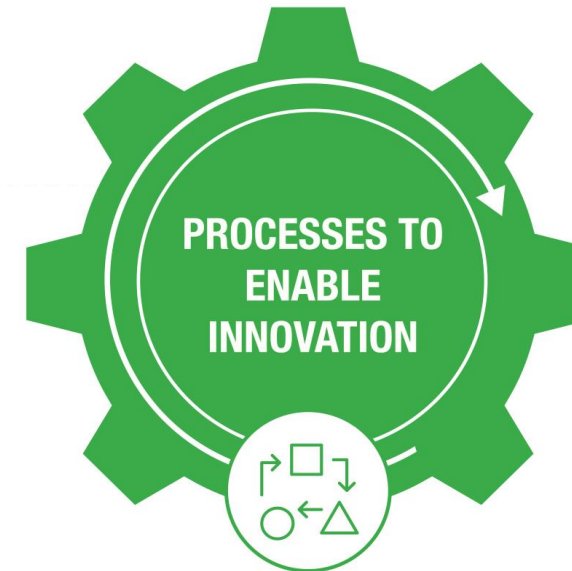
BASIC STANDARDS



Strategies and leadership provide stimulus and motivation for innovation to thrive. Cultures and mind-sets create the enabling environment.



Aligning resources, institutional arrangements and opportunities for collaboration protects the spaces for experimentation and new ideas.



Innovation efforts need supporting through their entire life cycle, from identifying problems, to implementing, evaluating, diffusing and scaling solutions.

Section D.3 of the [OECD DAC Peer Review Analytical Framework](#) sets out the expectations of the Development Assistance Committee (DAC) on innovation and adaptation.



GOOD PRACTICES



Strategy and leadership

Defining a clear strategy and vision for innovation helps organisations efficiently allocate resources. This could be in the form of a dedicated innovation strategy or embedded in the organisation's overall approach. Such a strategic framework, when supported by senior management:

- ensures innovation initiatives are complementary to each other and to broader priorities
 - helps to identify synergies as well as threats associated with emerging trends and technologies
 - enables actors to act on their comparative advantage, relative to the broader development co-operation system.
- The Swiss Development Agency developed a strategy to advance innovation internally and externally. A dedicated innovation catalyst function was established to manage the implementation of the strategy, supported by a governing body that includes senior management representation.



GOOD PRACTICES



Culture, capacities and mind-sets

Development organisations that seek to embed innovation across functions and as part of their organisational identity need to create a culture that provides staff with the time, skills, opportunities and incentives to innovate. As innovation involves risk-taking, a clear risk management framework, alongside practical support for learning and adaptation is required. Governance at senior management level plays an important role in signalling and guiding innovation efforts.

- The Swedish International Development Agency's (Sida) culture of consensus and compromise provides a [general openness to individuals developing ideas and approaches](#) and testing them out in different settings. This is supported by a healthy risk appetite.
- To help achieve the expansion of the Agence Française de Développement's (AFD) mandate, in 2016 AFD established a dedicated innovation team and lab. This included an internal innovation capacity development programme based on ideas of "intrapreneurship". It provided training and coaching and established networks of internal and external innovation champions.



GOOD PRACTICES



Organisation and portfolio management

To leverage the potential of innovation for development, organisations must shift from treating innovation as a series of individual projects to investing in strategic portfolio management. This includes securing resources and building capabilities that sustain innovation over time.

Building systems to manage risks and rewards, establishing repeatable processes where applicable, and creating organisational structures that support the innovation life cycle enables organisations to reduce their reliance on the talent of specific individuals or teams. This can also prevent “hype cycles” from influencing innovation efforts. As a result, innovation is embedded in the organisation’s ways of working.

- [USAID’s Centre for Innovation and Impact](#) manages its innovation initiatives using an ambition matrix portfolio structure. With more than 150 technologies financed in 2018, the agency seeks to balance investments in different categories. It invests 70-90% of its innovation funding in solutions that are “Improving the known” and 10-30% in “Inventing the new” or transformative innovations.



GOOD PRACTICES



Collaboration

Both internal and external collaboration with partners is needed to drive impact. Internal collaboration is needed to leverage multi-disciplinary expertise for innovation across operations, programmes and policy functions. External collaboration is needed as global development involves complex ecosystems of players with overlapping interests.

- The most consistently innovative organisations have developed standardised approaches to identify and engage potential partners and jointly develop synergies. For innovation, this includes identifying and working with non-traditional partners, especially with innovators from low and middle-income countries.
- USAID's Global Health Bureau devised a [Global Health Innovation Index](#) to support innovative financing modalities such as Grand Challenges for Development and Development Innovation Ventures. The Index facilitates crowdsourcing, competition, and partnerships to identify breakthrough innovations around critical health problems that require creative solutions.



GOOD PRACTICES



Processes

Innovation is a dynamic and iterative process, and as such, standardising innovation processes can be challenging. Development organisations that invest in learning from existing evidence and establish clear responsibilities for idea-generation, testing, implementation, monitoring, evaluation and learning, and scaling innovation are most successful at embedding innovation into their ways of working.

- The [UK FCDO Smart Rules](#) provide a clear framework for due diligence throughout the programme cycle (design, delivery, learning and closure). For example, it provides staff the autonomy to design and manage adaptive programmes. Several specific elements underpin the Smart Rules: moving from rules to a principles-based approach; creating deeper ownership and engagement across departments; directing efforts proportionately towards what matters most; simplifying and clarifying mandatory rules; and creating the space where frontline staff are trusted to innovate, take risks and adapt to realities on the ground.



MEASURING SUCCESS

Evaluating specific innovation programmes helps measure success and demonstrate value to decision makers. Evaluations from programmes such as [USAID's Development Innovation Ventures \(DIV\)](#), [Sida's Challenge Funds](#), the UK's ['Amplify'](#) and an independent evaluation of the [Global Innovation Fund](#) show that investing in innovation can pay dividends. A 2019 study [estimated](#) that investments in just four innovations by USAID's DIV generated USD 86 million in social benefits, suggesting a social rate of return of 77%.

Measuring success at the organisational level goes beyond individual programmes and funds. To facilitate this, the OECD developed [a self-assessment tool](#). The tool enables users to assess their innovation capabilities against three broad stages of development:

Initial application

A general understanding of what specific innovation capability is about and how it applies in a development and humanitarian context.

Emerging capability

Skills are applied in an occasional fashion or in a “low-intensity” manner that allows staff to experiment with using them in a safe and/or controlled way.

Established practice

Skills are applied in a deep systematic way across a range of areas and innovation is part of “how things are done”.



RESOURCES

This [OECD report](#) shares lessons from the Development Assistance Committee on innovation for development impact based on the 2019 OECD DAC peer learning exercise.

A recent OECD Development Policy Paper, [COVID-19 Innovation in low and middle-income countries](#), identifies lessons for development co-operation to better support local innovators and ecosystems.

The DAC released a High Level Communiqué in 2017 on [Innovations for the 2030 Agenda](#) and the [Whistler Principles to Accelerate Innovation for Development Impact](#) set out the G7's commitment.

The International Development Innovation Alliance has published [Insights on Scaling Innovation](#).

Find relevant evaluations via the [DAC Evaluation Resource Centre \(DEReC\)](#).

Relevant topics in this series

Risk management plays a role in setting incentives for staff to innovate and take risks.



DEVELOPMENT CO-OPERATION FUNDAMENTALS

This series unpacks development co-operation standards and illustrates how DAC members are applying them. Applying standards can help all actors to fulfil their ambitions and commitments.

Each *Fundamentals* document introduces a **key aspect** of effective co-operation, sets out **basic standards**, offers **good practice** examples, and identifies **relevant resources**.

Other topics in this series, which is being expanded and updated regularly, can be found [here](#). For any comments contact DCD.TIPs@oecd.org.

