DAC Working Party on Development Finance Statistics

WORK ON INNOVATION FOR DEVELOPMENT DEFINITION

Method Marker and Parameters for the 2019 Pilot

This document, prepared by Canada, is presented FOR DISCUSSION under item 7.b of the draft annotated agenda DCD/DAC/STAT/A(2018)3/REV1.

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Context
Canada tabled a proposal on a policy marker at the DAC’s Working Party on Statistics (WP-STAT) on June 15, 2018 (see DCD/DAC/STAT/RD(2018)2/RD2). The following Summary Record outlines the main feedback from members which includes reworking the definition and consideration of a method rather than policy marker.

OECD WP-STAT Summary Record - June 2018
Item 13.c Proposal for a policy marker on innovation for development (p.23-24)

87. Definition: There is a need to work on the definition to have clear guidelines on what would qualify. Although one member felt the definition should be limited to innovative financing, most members that spoke felt it should be kept broad. Canada responded that there might be a way to keep the definition broad and also offer the possibility to qualify further.

88. Method vs. policy: Several members pointed out that innovation is a method of work rather than a policy area, so some type of method marker, rather than a policy marker, would be more appropriate. It would also be important to clarify the nature of a method marker and clearly differentiate it from a policy marker. Canada would look into including the concept of a method marker in the proposal, including how that would differ from a policy marker.

89. Marker, flag, tag or other system: One member welcomed the proposal to follow the same scoring system as for traditional markers (0 (nil), 1 (significant), 2 (principal)) but suggested that instead of introducing fully (2) and partially (1) integrated, the same definition of the scores as those used for other markers could be used. Several other members, however, felt that a flag or tag or some other means would be better than a marker to identify innovation; they also suggested that text or tags (e.g. “digitalisation”) could be used instead of the proposed scores.

Definition
Canada’s proposal for a policy marker is based on the following definition of innovation for development which was adopted by DAC members at the OECD DAC High Level Meeting in October 2017:

- “We intend to embrace a broad view of innovation including finance and technologies as well as new policies, partnerships, business models, practices, approaches, behavioural insights and methods of development co-operation across all sectors.”

It is proposed in the new version to shorten the definition and apply different qualifiers using hashtags# to identify the types of innovation. It is also proposed to replace approach with solution as follows, drawing on good practice and definition from IDIA:

- “From a development perspective, an innovation is a new solution with the transformative ability to accelerate impact.”
As such, the new revised definition would be as follows:

- “New or improved solution that has the potential for better results and greater impact to add value (i.e. effectiveness and/or efficiency) to address existing development problems.”

It is proposed to clarify these terms of the revised definition as follows:

- New: never existed before and/or new to that context (i.e. transformational and/or radical).
- Improved: can be a modification to something existing (i.e. incremental).

**Innovation Qualifiers**

The purpose of a qualifier is to select the type of innovation identified in the initiative. It is proposed to identify the following qualifiers using hashtags#¹ to tag the types of innovation.

- New/improved: #policies, #partnerships, #businessmodels, #practices, #approaches, #technologies, #financingmechanisms, #behaviouralinsights, #waysofdelivery, #digitalization.

**Examples**

- #waysofdelivery: implementation of a new or significantly improved aid delivery method.
- #technology: using new or recent technology to address existing development problems.
- #digitalization: the use of digital technologies to change an organization (i.e. business/government/youth) process to solve problems by gaining efficiencies or providing new insights.

**Moving from a policy marker to a method marker using coding tables**

During the June 2018 WP-STAT meeting, certain members pointed out that innovation is a method of work rather than a policy area. While donors can pursue an innovation policy, some members considered innovation as a method of working (a new way of doing things). We therefore propose that coding innovation be treated as a stand-alone coding block.

To do so, it is proposed to have two separate coding tables, one on the level of integration of innovation and a second on expected impact, using the 0-1-2 ranking system of the CRS.

Paragraph 189 of the DAC Reporting Directives defines policy makers as a system which allows for the identification of activities targeted to a policy objective. It gives information on the degree to which members implement these policies in their aid programmes [2-principal objective, 1-significant objective, 0-not targeted]. Generally, these policy objectives are the result of a specific international consensus or commitment, such as a climate change policy objective aligned to the United Nations Convention on Climate Change (UNFCC).

The notion of “method markers” is not new. The CRS (Creditor Report System) already contains multiple fields that relate to how donors work. For example the bi-multi field (bilateral, multilateral, trilateral cooperation), Type of Aid field (e.g.: budget support, core contributions, pooled funding, debt relief, etc.), and the additional flags in Section II.2 of the Directives (e.g. Programme-based approaches, Free-standing technical cooperation, Investment-related technical cooperation, Associated financing) all capture information on the main recognized “business lines” for development cooperation across the membership.

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¹ Hashtags – need to be all one word.
Pilot 2019

At the June 2018 WP-STAT meeting, members expressed interest in testing this new marker to track innovation through a pilot with a dozen members.

Possible parameters for a 2019 pilot

In order to analyse the feasibility of the method marker, members are invited to review the proposed parameters and indicate in what capacity they would be able to participate in the pilot exercise. We propose to test the methodology of the innovation method marker during the 2019 reported period (January-December). This timeframe would then enable analysis to begin in 2020, with the aim of producing a report on findings with recommendations at the spring 2020 WP-STAT meeting.

Objective

The pilot’s objective is two-fold: 1) to test the feasibility of identifying/tracking innovative projects through the regular CRS reporting process, and 2) qualify the projects according to the proposed method marker methodology.

Scope of the pilot

The size of the sample examined would ultimately rest with participants, but efforts should be made to ensure that the number of projects reviewed from the total population of a members’ CRS submission in 2019 is statistically significant.

In order to achieve this sampling objective, we propose that participants strive to analyze 5% of the new activities reported in CRS activities for the 2019 reporting period (using simple random sampling). Members could work together to divide labour, in order to represent a geographically representative sample.

Based on the number of activities reported in the CRS for the 2016 calendar year, and the countries/agencies that demonstrated interest in July, this would represent a sample size of roughly 60-100 projects to analyze.

While we would encourage participants to seek systematic participation from specific programs falling within their respective sampling group, we would not recommend sampling based on specific DAC sectors or thematic areas, given that it could bias the sample (e.g.: certain sectors like infrastructure may overly represent certain types of innovative finance).

Method marker methodology – Aspects to capture in the pilot

Based on the previous discussion within WP-STAT and subsequent feedback, we propose the following steps to capture the elements described above.

Step 1 – For each CRS/activity entry, code the level of integration (chose one of three possible values)

The following scoring is to track the extent to which there was intention to integrate innovation in the project (see proposal DCD/DAC/STAT/RD(2018)2/RD2) for more details.

<table>
<thead>
<tr>
<th>Innovation – level of integration</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 – Fully integrated</td>
<td><em>When innovation for development is fully integrated into the activities. The project could not have been undertaken without the innovative approach.</em></td>
</tr>
</tbody>
</table>
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1 – Partially integrated

When there is at least one activity that includes innovation for development to achieve the project outcomes.

0 – Not integrated

Innovation for development is not integrated in any activity in support of project outcomes.

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**Innovation – expected impact**

<table>
<thead>
<tr>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 – Radical</td>
<td>The intention is to create a significant change or a paradigm shift (a fundamental change in approach or underlying assumptions).</td>
</tr>
<tr>
<td>1 – Incremental</td>
<td>The intention is to optimize and further develop existing services or processes.</td>
</tr>
<tr>
<td>0 – NULL</td>
<td>For CRS activities coded as 0 (zero) in Step 1 above</td>
</tr>
</tbody>
</table>

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**Steps**

**Step 2** – For each CRS/activity entry coded as either a (1) or (2), code the intended impact of the innovation (chose one of three possible values).

**Step 3** – For each CRS/activity entry coded as either a (1) or (2), tag the type of innovation activity (as this typology is not mutually exclusive, chose as many types that apply to the CRS/activity entry). For the purposes of the pilot, we would propose the following values and definitions as a starting point, but participants would be encouraged to develop other tags (instead of using the #other category).

<table>
<thead>
<tr>
<th>Tag</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>#policypractices</td>
<td>New or improved policy development practices such as the inclusion of local communities to identify the development problem, find solutions and build new or improved policies suited to local needs (in collaboration with local governments, organizations, international assistance resources, etc.).</td>
</tr>
<tr>
<td>#partnerships</td>
<td>New or improved ways of collaborating with stakeholders, including but not limited to governments, the private sector, civil society organizations, academia, and beneficiaries, that are not typically associated with tackling development challenges. This can include formal and informal collaboration such as the pooling or exchange of funds, skills, capacities, mentoring sessions, and other resources.</td>
</tr>
<tr>
<td>#businessmodels</td>
<td>New or improved organizational operations, including but not limited to how the chosen business model plans to create, deliver, and captures value – in both financial sustainability and development impact terms – as well as reach a targeted group of beneficiaries.</td>
</tr>
<tr>
<td>#behaviouralinsights</td>
<td>New or improved development or novel application of knowledge about how people, organizations or entities behave under a specific set of conditions, to inform the design and application of policies and programs. Behavioral insights should be based on research and testing that challenges one’s or a group’s assumptions about the problem and solutions.</td>
</tr>
<tr>
<td>#technologies</td>
<td>Use of new/emerging/widespread technologies in new or improved ways. This can include, but is not limited to, the use of new digital technologies to communicate more effectively with beneficiaries, partners, and the general public; the collection...</td>
</tr>
</tbody>
</table>
of data, monitoring, evaluation, and knowledge sharing; the use of bio-technology to develop new products (ex. waxes for food preservation); leverage traditional or older technologies in new ways.

#financingmechanisms
New or improved paths for delivering development finance. This can include the use of new financing mechanisms that enable public policy interventions that collectively have the power to mobilize new and additional public and private sources of finance.

#waysofdelivery
New or improved approaches to the delivery of development products and services in the field, such as using Unmanned Aerial Vehicles (e.g. drones) to deliver medicine in humanitarian disasters or remote communities.

#approaches
New or improved way(s) for development actors to engage in development work and/or problem solving for development issues. Examples of innovative approaches can include, but are not limited to, challenging unconscious biases and institutional practices by applying human-centred design methodologies to project development, using games to enhance civic learning and facilitate behaviour change, and applying new approaches to analysing beneficiaries’ insights to better identify a challenge.

#digitalization
The use of digital technologies to change a business/government process to solve problems by gaining efficiencies or providing new insights.

#other
Please specify the name used by your organisation to consider expanding the list.

Questions to WP-STAT members:

1. Do you agree with the proposed parameters for the pilot exercise? How could this process be strengthened?
2. Are you willing to commit to the 2019 pilot exercise?
3. Would you prefer to test upcoming 2019 projects, or previous year (i.e. 2018)?
4. Any other comments on the methodology, types of qualifiers, sampling?