

Unclassified**English text only****3 August 2020****Development Co-operation Directorate
Development Assistance Committee****DAC Working Party on Development Finance Statistics****Final report on Innovation Marker Pilot**

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JT03464394

OECD DAC Innovation Marker Pilot - Final Report

1. Introduction

1. Data is central to learning regarding innovation for development. There is currently no systematic means of tracking and collecting data on innovation in Official Development Assistance (ODA) by the OECD Development Assistance Committee (DAC) members.
2. This final report, prepared by Canada through its Global Affairs Canada Development Innovation and Statistical Analysis Units, in consultation with the DAC member pilot participants, presents the findings of the 2019 Innovation Marker Pilot and recommendations for the way forward.
3. The methodology of the innovation marker pilot was premised on the 2017 HLM Communiqué definition of innovation for development, which was broader than a previous definition limited to technology and innovative finance. The 2017 definition enables DAC members to capture data on a broader range of innovations.
4. Key observations from the pilot: innovation tends to be partially integrated into initiatives (rather than the main objective, for example an fund dedicated to support innovations); there is a focus on innovations that are incremental (as opposed to transformational); and the types of innovation captured tend to be partnerships, technologies, policy practices and business models.
5. The Innovation Marker Pilot demonstrated that a systematic marker can provide a means to collect data on innovation, to track progress, and draw lessons in real time, including on how development can be done differently, and how promising innovative solutions can be scaled for greater impact. An innovation marker has the potential to be an evidence-generation tool.
6. An innovation marker would contribute to and complement the work on innovation of the DAC and the Development Co-operation Directorate's Reviews, Results, Evaluation and Development Innovation Division (DCD RREDI) as presented in the [OECD June 2020 report Innovation for Development Impact: Lessons from the OECD Development Assistance Committee](#) as well as the PWB 21-22 Output Result 2.15 on Development innovation. It would also enable DAC members to generate data on their innovation portfolio, and gain insights from the global innovation ecosystem.

2. Context for an Innovation Marker in the OECD CRS

7. The innovation process encourages the development of new and improved solutions that can deliver better results. Innovation enables proven, tested solutions that have added value to address challenges more effectively than existing practices to deliver better results and greater impact.
8. Peer learning is an important part of the work of the OECD DAC. It contributes to helping members to explore and answer inquiries such as: How can innovation be identified in policies, programs and projects? How can we track the evolution of innovation over time? How can the added value of innovative solutions be shared for collective learning and scaling?

9. There is no systematic means in the OECD Creditor Reporting System (CRS) for DAC members to identify, track and learn from innovation in policies, programs and projects. DAC members collect most data on innovation manually. Data on what works and what does not is important for evidence-based decision making, and for driving change and accelerating inclusive, locally-driven innovations to transition to scale, reach the most vulnerable, achieve greater impact, and reduce poverty. Tracking and measuring innovation could help DAC members identify where doing things differently might make development co-operation more effective and impactful.

10. At the OECD DAC High Level Meeting (HLM) in October 2017, [A New DAC: Innovations for the 2030 Agenda](#), a consensus was reached by DAC members on a broader definition of innovation for development ([Communiqué](#), par. 7). This broad definition acknowledged that innovations can be of various types, reflecting the variety of policies, projects and programming of the international development ecosystem.

11. At the OECD Working Party on Development Finance Statistics (WP-STAT) June 2018 [DCD/DAC/STAT/RD(2018)2/RD2] meeting, Canada tabled a proposal to establish an innovation policy marker in the OECD CRS to enable DAC members to identify, track and qualify innovations in a systematic way in international assistance policies, programs and projects. WP-Stats members supported the idea of tracking innovation and suggested finding an alternative to a policy marker to track innovation and further clarifying the DAC definition of innovation for development. A selection of members expressed interest in participating in a pilot to test an innovation marker.

12. Canada took into account all comments, revisited the definition of innovation, and proposed a pilot to test the feasibility of identifying, tracking and qualifying innovations at the OECD WP-STAT November 2018 [DCD/DAC/STAT/RD(2018)3/RD1] meeting.

13. The DAC integrated innovation into its work, as demonstrated by the inclusion of innovation into the PWB 2019-20. The Programme of Work and Budget (PWB) 2019-20 [DCD/DAC(2018)8/FINAL] included a section on Innovation for Development for each Output Result (OR). The PWB 2021-22 [DCD/DAC(2020)2/REV4] Executive Summary states that “Maximising the DAC members’ impact during this “decade of action” to 2030 will depend on its capacity to collaborate, evaluate, learn, innovate, and adapt” - all core principles to innovation. Innovation is part of PWB 2021-22 OR2 - Making development co-operation more effective, impactful, and inclusive, including through better partnerships and innovation.

3. An Innovation Marker Pilot to Test the Methodology

14. Canada, France, Australia and Slovenia (the “piloteers”) piloted the innovation marker methodology within their international assistance projects/programs. Belgium, Sweden, the UK, Germany, Ireland, and the USA observed the process.

15. The innovation marker pilot tested a methodology for use in the OECD CRS that would enable DAC members to identify, track and qualify innovations in a systematic way. The piloteers engaged in experimental research to test the new methodology.

16. The pilot’s objective was two-fold:

- a Test the feasibility of identifying/tracking projects/programs with an innovation component, and;
- b Qualify the innovation component of the projects/programs according to the proposed working definition of innovation.

17. The methodology [DCD/DAC/STAT/RD(2018)3/RD1], accompanied by a scoring system, required piloteers to code three aspects of a project/program:

- a Please choose the level of innovation integration present in your project (2-Fully/1-Partially/0-Not integrated).

BOX - Please summarize briefly the level of integration of the innovation(s) into the project.

- b What is the expected impact of the innovation components? (2-Radical (New), 1-Incremental (Improvement)).

BOX - Please explain the problem the innovation is trying to solve and in what the innovation proposes a new solution or an improvement to existing practices.

- c What type of innovation best describes the activity present within your project?

Choose all that apply.

#businessmodels	#policypractices	#approaches	#partnerships	#technologies
#behaviouralinsights	#financingmechanisms	#waysofdelivery	#digitalization	Other

BOX – If other, please propose another type of innovation using # and explain.

18. An introduction provided piloteers with a reviewed [DCD/DAC/STAT/RD(2018)3/RD1] definition of innovation for development, 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.
- 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).
- Use hashtags# to tag the types of innovation:

#policypractices, #partnerships, #businessmodels, #approaches, #technologies, #financingmechanisms, #behaviouralinsights, #waysofdelivery, #digitalization.

4. Country Case Studies for the Innovation Marker Pilot

19. Piloteers tested the methodology within their respective organizations. The following section captures the experiences of the various country case studies. New projects/programs approved from January 2019 to December 2019 provided the data collected.

Canada

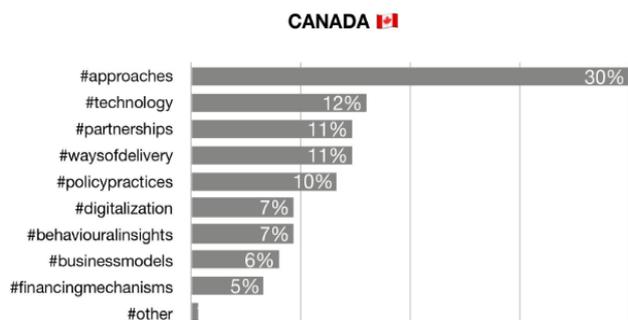
20. In the spring of 2019, the Director General of the Partnerships for Development Innovation Branch held an information session with Global Affairs Canada DGs and Directors to inform them of Canada's participation in the OECD pilot for an innovation marker in the CRS. Four groups joined the pilot (Partnerships for Development Innovation Branch, Peace and Stabilization Operations Program, Environment Specialists Team, the Development Program of the Embassy of Canada in Colombia). Training was provided to project officers to explain the pilot's context, purpose and requirements. Global Affairs Canada's Development Innovation Unit and the Development Finance Statistics team provided support and guidance to piloteers throughout the pilot.

21. In total, 54 project officers completed an online survey for the 118 new projects/programs approved under the four teams in the 2019 calendar year. The online survey collected information on the three aspects of the methodology noted above. The Development Finance Statistics team analysed the data collected to ensure quality and omit biases.

22. The survey showed that almost 60% of the 118 projects had integrated innovation, whether it was fully integrated (21%) in a project, program or policy, or partially integrated (38%). 41% of the projects/programs surveyed had not integrated innovation.

23. **Regarding** the impact of the innovation, the majority of projects (68%) contained incremental or improved innovation, while 32% of them contained radical or new innovation elements (note: based on 32% response rate to this question).

24. The hashtags further explained the innovative components of the projects/programs. The hashtags revealed that #approaches was the most frequently used, having been flagged 30% of the time, followed by #technologies 12%, #partnerships 11%, #waysofdelivery 11% and #policypractices 10%, all of equivalent importance. The least used hashtag were #behaviouralinsights 7%, #digitalization 7%, #businessmodels 6%, #financingmechanisms 5%, and #other 0.5%.



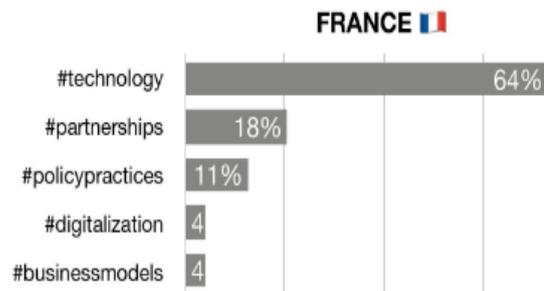
25. The survey included a feedback question about the level of difficulty in answering the three questions of the methodology. The findings showed that 61% of the project officers found the survey difficult to answer (selected 4 or 5 (max) as the difficulty level). 57% of officers completed this section.

France

26. The DG Trésor's MULTIFIN5 office conducted a random sampling of 500 ODA-funded projects in 2019 sourced from its CRS database and from different ministries (Agence française de Développement (AFD), Ministère de l'Europe et des Affaires étrangères (MEAE), Proparco, Coopération décentralisée, Ministère de l'Économie et des Finances (MEF), Ministère de la Transition écologique et solidaire (MTES)). The sampling represented 4% of all projects and tested the feasibility of the innovation marker pilot.

27. A designated officer performed macro-level analysis on the 500 sample projects: 5.6% (28 out of 500) were considered innovative.

28. The projects considered innovative mainly integrated innovation partially (86%) and the remainder (14%) fully integrated innovative elements. On the impact of the innovation in the project, 100% of the projects demonstrated incremental or improved impacts, while none indicated a radical or new innovative element. In terms of the types of innovation, the most commonly used hashtags were #technology (64%), #partnerships (18%) and #policypractices (11%). The least frequently used hashtags were #businessmodels (3.5%) and #digitalization (3.5%).



Australia

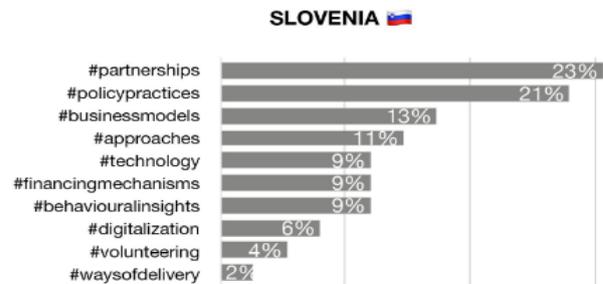
29. Australia provided two datasets generated in different ways. The first comprised 367 projects, while the second consisted of 83 projects. Through a cross-check analysis, 16 projects were found in both lists. In the first dataset, taken from annual project review data, project officers answered three yes or no questions to describe whether their project had applied: (1) innovative programming; (2) innovative partnerships and collaboration; and/or, (3) innovative processes. As a second step, a designated officer from the innovation unit tagged the projects with the different innovation identifier hashtags to signify the type of innovation based on a narrative description written by the project officer. In the second dataset, taken from the project financial management system, project officers identified whether new projects entered into the system during project design would be innovative, and provided a short description of the innovative components.

30. Analysis of the first dataset demonstrated the proposed hashtags in the marker pilot did capture the kinds of innovation used in the Australian aid program. The two datasets demonstrated it was possible to apply a marker either during project design, or during the annual project review process. Analysis and discussions with project officers also suggested it could be harder to identify whether and how a project would be innovative during design as many factors remained to be agreed, which could lead to under-use of the innovation marker in the early stages of a program. It would be important to revisit markers during project implementation to ensure they reflect the finalised design and implementation.

Slovenia

31. Project officers, with comprehensive knowledge of their projects/programs, from external NGOs and with implementing partners, completed a Word version of the online survey developed by Canada to answer and code the three aspects of the methodology for the 10 new projects of the 2019 calendar year.

32. Analysis on projects was able to demonstrate that the majority of projects (82%) contained partially integrated innovative elements, while 18% of projects were identified as fully integrating innovative elements. Almost all projects (91%) integrated innovative incremental/improvements, while the remaining 9% of projects contained radical/new innovative elements.



33. When categorizing the projects with hashtags, #partnerships was the most commonly used hashtag (23%), followed by #policypractices (21%). Next were #businessmodels (13%), #approaches (11%) and #technologies (9%), #behaviouralinsights (9%) and #financingmechanisms (9%). The least used hashtags were #digitalization (6%) and #waysofdelivery (2%). A new hashtag for a type of innovation, #volunteering, was used for two projects (4%). All survey respondents completed the section on the difficulty of providing responses; for 82% of projects, it was difficult to respond (4 or 5 as the difficulty level).

5. Analysis

Synthesis of Key Findings

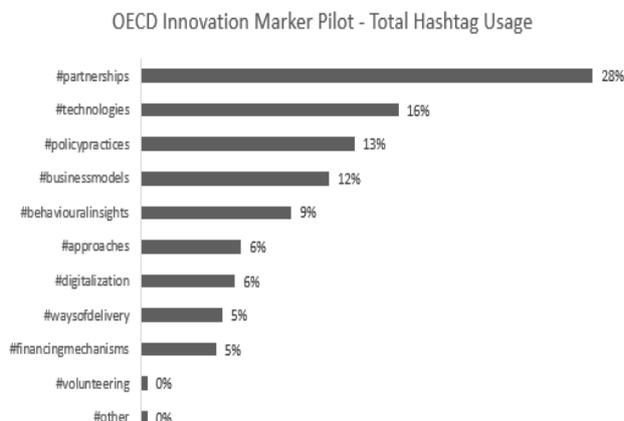
Some trends can be identified among the four pilots.

34. First, the majority of innovations identified are partially integrated, meaning innovations represent a component of a wider project, program or policy, compared to innovations that are fully integrated (the whole project, program or policy is innovative or dedicated to innovation).

35. Second, the vast majority of the innovations identified were improvements to existing approaches; few innovations proposed new and transformative solutions. This finding echoes the observations of the June 2020 OECD Innovation for Development Impact: Lessons from the OECD Development Assistance Committee, reporting on the 2019 OECD Peer Learning Exercise on Innovation for Development, that there is “a greater emphasis on incremental innovations that maintain the status quo rather than transformative approaches that disrupt it”¹.

¹ OECD (2020), *Innovation for Development Impact: Lessons from the OECD Development Assistance Committee*, The Development Dimension, OECD Publishing, Paris, <https://doi.org/10.1787/a9be77b3-en>, p. 46.

36. Third, the most frequent hashtags used² to qualify the types of innovation present in projects, programs, and policies are #partnerships, #technologies, #policypractices and #businessmodels. This suggests that the DAC's [broader definition](#) of innovation more accurately reflects the breadth of innovations that DAC members are funding than a definition limited to finance and technologies. "It is precisely the human aspects of innovation that need to be strengthened and placed at the heart of the innovation agenda - there is no innovation without people"³.



37. Fourth, piloteers are focusing on different types of innovation. For example, France used the hashtag #technologies for 64% of projects, which suggests that technology is an innovation priority for this country, whereas Canada, Australia and Slovenia used it for a smaller percentage of projects (between 12% and 9%). Similarly, the hashtag #financingmechanisms is less prevalent for Slovenia (9%) and Canada (5%), and absent for France.

Successes

38. Overall, the pilot was innovative in and of itself in bringing together members to try a new way of working as it relates to data on innovation for development through a collective learning process. DAC Piloteers set a methodology, gathered data and evidence, and identified trends and potential avenues to explore. The pilot enabled members to come together and research a topic of shared interest.

39. The methodology of the innovation marker pilot was premised on the 2017 HLM Communiqué definition of innovation for development, which was broader than a previous definition limited to technology and innovative finance. The 2017 definition enables DAC members to capture data on a broader range of innovations. In November 2019, a working definition of innovation for development was proposed and included in the pilot. Australia plans to adopt the definition to enhance its current reporting. Some further improvements to the definition are proposed below.

40. The pilot was also successful in that it facilitated dialogue on coding and scoring options in the CRS. For Canada, having more than 50 project officers with comprehensive knowledge of projects, programs, and policies involved enabled the Development Finance Statistics team to perform rigorous analysis on the data to evaluate whether the evidence provided supported the innovative component. In the second Australian dataset, Australia integrated in its project management system an innovation field where project officers provided information on the innovation component at the onset of a project. For France, having a single officer perform the analysis of 500 projects enabled them to apply the definition in a consistent way and perform analysis at a macro level. Slovenia opted to have project officers in NGOs and implementing partners test the methodology.

41. In terms of the methodology, participants found questions 1 and 3 easy to answer (although question 1 could be reformulated to provide a better idea of the proportion of an

² Hashtag data available for Canada, France and Slovenia.

³ Ibid, p.33.

innovation in a project (test, implementation, scale). The hashtags were easy to use to tag the types of innovation, based on a list of definitions that officers could refer to.

Challenges

42. As with the introduction of any methodology, some challenges stemmed from the lack of a shared understanding of innovation. Clear guidance and consistency are key for the systematic application of a concept, and for the generation of accurate data. This difficulty was apparent in the responses to the feedback question at the end of the survey (many officers gave a 4 or 5 to describe the level of difficulty of identifying and describing the innovative component of the project, program or policy). For question 2, it was a challenge for project officers to provide information on the problem that the innovation aimed to solve, and what was new or improved in the solution compared with existing practices. More work by the OECD on a shared narrative for development innovation is required, as are the wide dissemination of the shared narrative to policy and working groups (through the engagement of the DAC Chair) and capacity building to support DAC members at varying stages of integrating innovation into their work (OECD self-assessment tool of various innovation capabilities⁴).

43. France noted that their approach of working through one single dedicated officer for all projects, instead the officers associated with each of the 500 projects, posed a particular challenge. It was difficult for the single officer to complete the survey. The single officer did not have sufficient knowledge of the expected impact (incremental vs transformational) to complete the assessment accurately. A detailed description of projects in the CRS database, including details on the innovation component, would make the identification process easier for such an approach.

44. At present, DAC members are at varying stages of integrating innovation into their work. This might affect their capacity to adopt an innovation marker, and the extent to which they are able to use it to analyse and learn from their practice. Some project officers indicated that they see innovation as an additional administrative burden. DAC members will need to build project officers' knowledge of and skills related to development innovation and encourage them to use the marker to ensure higher levels of adoption and more accurate and consistent reporting.

Improvements

45. **The working definition of innovation for development can be improved.** For example, it should be clear that an innovation should be assessed in its local context (i.e. where the innovation is implemented) rather than from the perspective of a DAC member or implementing partner. Project officers in the field are best placed to determine the level and type of innovation.

46. Also, it should be clear that an innovation should have added value. In other words, project officers should explain what the problem is, what the existing practices are, and what the innovative solution proposes to do to achieve better results and greater impact.

47. Reflecting this analysis, the innovation for development definition of the 2017 HLM Communiqué could be reformulated:

⁴ Ibid, p.65-70.

48. Innovation for development can be defined as a process, mindset, and means to enable **new** (transformational) **or improved** (incremental) **locally-driven solutions for better results and greater impact (added-value)**, which benefit and empower the poorest and most vulnerable, including women and girls.

49. Innovative solutions can include business models, policy practices, approaches, partnerships, technologies, behavioural insights, financing mechanisms, ways of delivery products and services, and digitalization.

50. **With the reformulation above, the accuracy of question 2 could be improved.**

51. Original/Q.2 Box: Please explain the problem the innovation is trying to solve and in what the innovation proposes a new solution or an improvement to existing practices.

52. New/Q.2 Box: Please explain the problem the innovation is trying to solve, ~~and in what~~ *what the added-value of the innovation proposes, and whether the innovative solution is new or an improvement to existing practices in the local context.*

53. **The pilot demonstrated that for question 1, project officers of new projects/programs were not always in a position to assess** the level of integration of the innovation component because the implementing partner had not fully explained what the innovation component would be (upcoming co-design, co-creation). In such cases, a « potentially integrated » qualifier in the marker would allow the innovation component to be assessed later during implementation.

54. **To support the coding process and reduce the potential for error projects officers need to build their capacity** to identify what makes projects innovative, qualify the different types of innovation (hashtags) and tracking innovations.

55. Canada developed: internal guidance on the innovation marker to explain the pilot's context, purpose and requirements; a training session on what innovation is; and case studies to show how to code the three questions of the methodology. Canada encourages project officers to assess the innovative component of a project, program or policy by reflecting on the following key questions:

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. What is the specific problem? 2. Is the solution locally driven? 3. Is the solution new or improved in the local context? | <ol style="list-style-type: none"> 4. Does the solution have the potential to address problem(s) more efficiently and/or effectively than existing practices (added value)? 5. Will the solution be tested/piloted and/or scaled? |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

6. Opportunities

56. An innovation marker would contribute to and complement the work of the DAC and the DCD on innovation, as presented in the PWB 21-22, Output Result 2.15 on Development innovation, and in the OECD June 2020 report⁵ *Innovation for Development Impact: Lessons from the OECD Development Assistance Committee*. It would also enable DAC members to generate data on their innovation portfolio, and gain learnings and insights from the global innovation ecosystem.

57. An innovation marker would also complement the work of the OECD Observatory of Public Sector Innovation (OPSI) with the [Innovation Facets Model](#). An innovation marker can be an evidence generation tool to show what kind of innovations DAC members are putting their efforts into, and how they could amplify their impact by considering and adopting anticipatory and adaptive innovations that have the potential to disrupt the status quo and generate better results in development co-operation. The OPSI Innovation Facets Model was used during the June 2020 webinar – OECD Peer Learning Series on



COVID-19: Harnessing Innovation to Benefit the Poorest to point out that most DAC members are engaged in mission and enhance-ment-oriented innovations, both of which focus on incremental innovations. To engage in transformational innovations, DAC members need to rethink what is in place, test and try new approaches to respond to a changing operating environment (adaptive innovation) as well as explore and engage with emerging issues that might shape future priorities and commitments (anticipatory innovation).

58. A systematic means of identifying and tracking innovation projects/programs would offer the possibility of mapping the innovation portfolio of an organization. This could provide a better understanding of the different models of innovation at play (mission-oriented, enhance-ment-oriented, anticipatory and adaptive), and offer insights into a broader/collective portfolio approach (what works, what needs improvement, what can be scaled). DAC members and international stakeholders (similar projects, same regions) could collaborate to optimise collective efforts as part of the global innovation ecosystem, and limit duplication.

59. An innovation marker would also encourage organizations to monitor and report on their innovation portfolio and thus enable collective learning. The OECD/DCD October 2019 workshop [Accelerating Innovation for Development Impact](#) was organized to discuss progress and challenges in unlocking the potential of innovation for development, facilitate exchanges, promote learning among DAC members and international stakeholders on innovative models and solutions that can deliver results, and what it takes to make these innovations happen.

⁵ Ibid, p.54.

60. Data is central to learning on innovation. Learning activities such as the OECD/DCD Peer Learning Exercise on Innovation would benefit from an innovation marker that would help DAC members, as well as international stakeholders, to report on their innovative work. “Peer learning exercises complement traditional DAC peer reviews, with a focus on learning, knowledge exchange and capacity strengthening”⁶.

61. An innovation marker would complement and inform other data work underway in the global development innovation ecosystem. The [International Development Innovation Alliance](#) (IDIA) has developed several [Innovation Insights](#) papers that build on the work of various development agencies. The [Global Innovation Exchange](#) is a global development platform for innovations, funding and insights that aims to scale the most promising innovations by utilizing its ever-growing database to serve as a reliable fundraising resource for global development innovations, as well as a source of credible innovation data for the international development community.

62. The creation of an innovation marker in the OECD CRS would complement the broader work of the OECD DAC and the DCD on innovation, notably in terms of identifying and tracking innovation, producing data for collective learning on the added value of innovation and for measuring impact in the future.

7. Recommendations

It is recommended that the OECD:

1. Further update the 2017 HLM definition to reach a shared definition of innovation for development
 - a. Include: added value of innovation, local context, types of innovation and key questions
 - b. Adopt and disseminate within DAC policy networks/working groups, and with international stakeholders, including Global South
 - c. Invest in innovation capacity among the DAC Membership (training)
2. In the interim period before an innovation marker is implemented in the CRS, implement a system of hashtags, as per June 2020 WP-STAT discussion on Canada’s Proposal to Add Hashtags to the CRS System [DCD/DAC/STAT/RD(2020)4]
 - a. to tag and track issues of shared interest (i.e. #innovation, #COVID-19)
 - b. with respect to innovation, to use the hashtags list and definitions created for this pilot
3. Explore the possibility of creating an innovation marker in the CRS
 - a. to systematically identify and track innovation over time
 - b. to generate data for collective learning (i.e. individual/collective portfolios, scaling, monitoring and evaluation, impact, peer learning exercise)

⁶ Ibid, p.17.