

**Development Co-operation Directorate  
Development Assistance Committee**

## **DAC Working Party on Development Finance Statistics**

### **PROPOSAL TO ESTABLISH A POLICY MARKER ON INNOVATION FOR DEVELOPMENT IN THE OECD DAC CREDITOR REPORTING SYSTEM (CRS)**

**Formal meeting of the Working Party on Development Finance Statistics (WP-STAT)  
13-15 June 2018, OECD Conference Centre, Paris**

In follow up to the informal meeting of the WP-STAT held on January 30-31 2018, this paper presents a proposal to establish a policy marker on innovation for development to identify in the CRS which projects integrate innovation.

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## **PROPOSAL TO ESTABLISH A POLICY MARKER ON INNOVATION FOR DEVELOPMENT IN THE OECD DAC CREDITOR REPORTING SYSTEM (CRS)**

### **Background on the Establishment of a Policy Marker on Innovation for Development**

1. Through the 2030 Agenda for Sustainable Development, the global development community has committed to bold and transformative actions to eradicate extreme poverty. To address complex development challenges, we must encourage the adoption of innovative, inclusive and locally-driven approaches to persistent development challenges.
2. At the [DAC High Level Meeting \(HLM\) on October 30-31, 2017, A New DAC: Innovations for the 2030 Agenda](#), a consensus was reached by DAC members on a broader definition of innovation for development. The HLM endorsed a stronger role for the DAC in promoting innovation for development and further integrating innovation into the work of its policy networks and working groups. To implement this mandate, the DAC recognizes that it will need to deliver innovative approaches for better results and greater impact to achieve Agenda 2030.
3. To help position the DAC to implement this commitment, the DAC Chair and Canada co-hosted the DAC Roundtable on Development Innovation for Agenda 2030 on November 21, 2017. DAC members learned about the work undertaken in innovation for development by the DAC, DCD, as well as the International Development Innovation Alliance (IDIA), a multi-stakeholder group of funders working to “actively promote and advance innovation as a means to help achieve sustainable development” (its membership includes five OECD DAC members (United Kingdom, United States, Sweden, Australia, and Canada), five international organizations (UNICEF, World Bank Group, Global Innovation Fund, Results for Development, Grand Challenges Canada) and two foundations (Bill & Melinda Gates Foundation, Rockefeller Foundation)). Many DAC members underscored their strong commitment to support innovation for development at the Roundtable.
4. The DAC Roundtable on Development Innovation centred its discussions on three themes: (1) Organizational Tools for Innovation; (2) Innovative Finance for Development; and (3) Measuring and Tracking Innovation. On Measuring and Tracking Innovation, Canada highlighted the work done by IDIA on measuring the impact of innovation for development, and underscored the need for a systematic

means for DAC members to identify, track and learn from projects that include innovation (whether as a component or the entire approach) via a DAC policy marker.

5. A DAC policy marker on innovation for development would help DAC members to identify which innovative projects should receive specific attention to seize the opportunity to learn and further benefit from innovative approaches. Important lessons and good practices on innovation for development could be more easily and systematically obtained, then shared through DAC platforms and networks, such as the Global Partnership for Effective Development Cooperation's (GPEDC) Knowledge Sharing Working Group, to inform new policies and programming by the global development community.

6. Innovation for development was integrated by DCD throughout the DAC Programme of Work and Budget (PWB) 2019-20, demonstrating the DCD's commitment to advancing innovation as a cross-cutting theme. Innovation for development is included as PWB Output Result (OR) 7: *"Innovating for development, foresight, policy guidance" and allocates resources "to support members to measure, track and evaluate the impact of development innovation in policies and programming. [This]his includes aspects of development effectiveness, support to home-grown innovation in partner countries, readying public sector institutions for innovating, and building the necessary alliances for delivering innovation at scale and with results<sup>1</sup>."* The DCD is willing to perform technical work in innovation for development through planned policy briefs, analysis and reports as per the PWB 2019-20 OR 7.1, 7.2 and 7.3.

7. A policy marker on innovation for development would provide important data for the DCD and DAC members to work towards the objectives of the upcoming PWB 2019-20, and beyond. A policy marker is not designed to track the level of funding for innovation. However, a policy marker will identify which projects are innovative and could then be further analyzed for data such as level of funding, impact on beneficiaries, lessons learned and good practices.

8. In addition, the guidelines and reporting directives developed for the policy marker on innovation for development could be adapted for reporting on development innovation-related initiatives / programming by other international development stakeholders, such as IDIA's non-DAC members, civil society organizations and development country governments. This could potentially inform their future reporting and collaboration with the DAC and/or in the International Aid Transparency Initiative (IATI).

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<sup>1</sup> OECD/DCD, Draft DAC Programme of Work and Budget 2019-20: Detailed Proposal, "Innovating for development, foresight, policy guidance", p. 29.

## What is innovation for development?

9. At the October 2017 HLM, DAC members adopted a definition of innovation for development that goes beyond only technology and blended finance, as reflected in its [Communiqué](#), under paragraph 7, as follows:

*“Innovation is an essential enabler for both improved development co-operation practices and quick and effective responses to development co-operation challenges. We intend to gather evidence, facilitate and encourage the sharing of good practices and experiences, foster platforms on innovative policies, tools and practices so that DAC members can increase their knowledge and implement innovative programming that delivers humanitarian and development impact in ways that are better than existing approaches. In order to do so, 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, and consider means to identify and promote development innovation.”*

10. Innovation for development is a means to identify and support new or improved approaches that achieve development results and greater impact more effectively or efficiently than current practices. Projects or programs can be wholly innovative or can have components that integrate innovative approaches.

11. Effective innovation for development strives to be inclusive and locally-driven. Local communities should be valued as innovators themselves, not only beneficiaries, and they should be engaged throughout the innovation process through co-creation – from problem identification to design, testing and evaluation.

12. The process of integrating innovation into development should also take into account the potential to scale successful innovative approaches, through their adaptation, to achieve greater impact. Please see examples under Annex I. A typical innovation pathway includes:

- 1- Ideate to identify and analyze the development problem – locally-driven and inclusive
- 2- Design to find a potential innovative approach – co-creation
- 3- Test the proposed approach and share the learnings generated – successes and failures
- 4- Track, monitor and evaluate data/evidence to inform future decisions
- 5- Evaluate the sustainability of the innovative solution by the community and its potential to scale

13. Transparency, accountability and reporting on the use of public ODA are important for DAC members – and innovation can imply risks in supporting new approaches that can challenge the status quo. A policy marker on innovation for development can play a role in gathering data to help members communicate why and how responsible risks are being undertaken to achieve better results to reduce poverty.

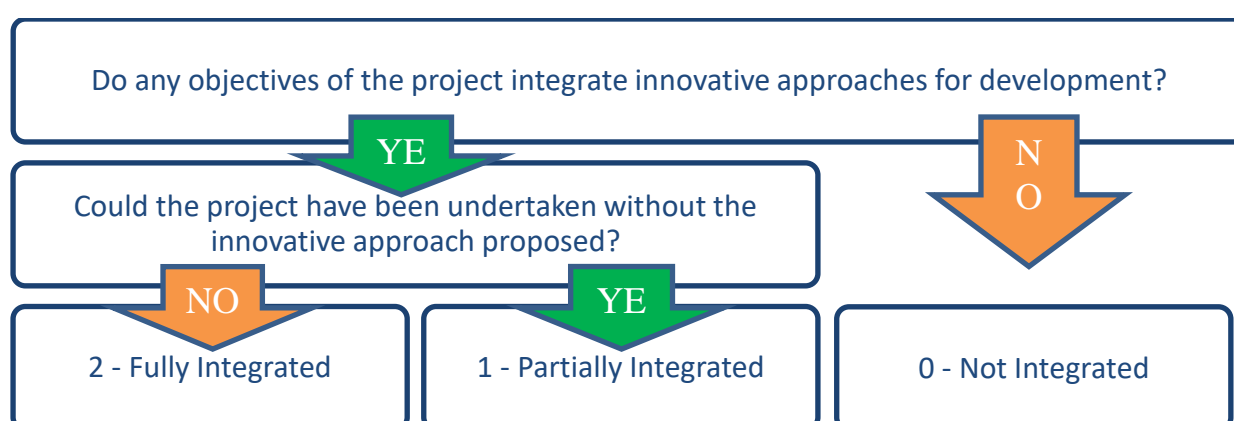
## Scoring System

14. The following scoring is to track the extent to which there was intention to integrate innovation in the project. The marker is not focussed on capturing the results or impact of innovation, since innovation is a means towards achieving development objectives. Also, the marker is not designed to track the level of funding for innovation. The marker for innovation can be assigned one of three possible scores:

15. An aid activity / project (CRS entry) can be marked as **fully integrated** (score 2) when innovation for development is fully integrated into the activities. The project could not have been undertaken without the innovative approach. For example, a targeted innovation fund where innovation for development is the overarching activity of the whole project.

16. An aid activity / project (CRS entry) can be marked as **partially integrated** (score 1) when there is at least one activity that includes innovation for development to achieve the project outcomes, which DAC members would be encouraged to explicitly identify. The project could still have been undertaken without the innovative approach proposed. For example, in a sector budget programme with a Ministry of Education, the activity of testing new long-distance learning tools to support the curriculum reform in a variety of subjects would be a portion or component of the aid activity.

17. The score “0” means that innovation for development is not integrated in any activity in support of project outcomes.



18. An indicative listing of innovation for development activities corresponding to some DAC sectors is presented in Annex I. An aid activity would include innovation for development in one of the phases along the innovation for development pathway.

## **ANNEX I: POTENTIAL SECTOR EXAMPLES AND SCORING**

Below is an indicative listing of examples of innovation for development aid activities corresponding to some DAC sectors and their scoring based on the decision process presented in the proposal. The marker coverage and scoring (2-Fully Integrated; 1-Partially Integrated) is only for illustrative purposes. The actual screening and scoring will require a review of an aid activity's documentation and development objectives.

### ***Economic Growth – Fully Integrated – Score 2***

Introduction of gender analysis processes into impact investing models: to move discussion from a simple gender target (ex. number of women headed businesses) to broader analysis of gender structures and obstacles that underlie financial systems so as to drive systemic changes. A value of 2 is assigned because the innovative gender approach to impact investing is the core of the project – the project could not have gone ahead without it.

### ***Governance – Fully integrated – Score 2***

Integration of emerging digital technologies and/or new digital platforms into the service delivery mechanisms of a local government: support for the integration of new digital technologies - such as use of artificial intelligence and machine learning, biometrics, big data analytics, open data platforms, etc. - into government and/or institutional data management systems for increased governance efficiency, transparency, accountability in service delivery products and services and/or civic engagement (e.g. elections). A value of 2 is attributed because the integration of digital technologies and innovation in data management systems are central to the achievement of the project outcomes.

### ***Education – Fully Integrated – Score 2***

Results-based financing (RBF): Implementing the use of an RBF mechanism for the delivery of basic educational services in the non-formal education in fragile/conflict states. Funds for the project are released based on the success of achieving pre-determined thresholds. The project was established and managed by a civil society organization with the plan for the eventual transition to the Ministry of Education for their administration. A value of 2 is attributed because the project could not have been undertaken without the innovative approach.

### ***Health – Fully integrated – Score 2***

A targeted innovation fund using prize/challenge model: call open to public, private and civil society stakeholders to solicit new health innovations to combat communicable diseases with a payment by

results model to support successful initiatives through an innovation pathway. A value of 2 is attributed because innovation for development is the overarching activity and approach to the project.

***Health – Partially integrated – Score 1***

Introduction of mental health services: use of elders on benches to talk with community members as a new approach to improve the delivery of mental health services to reduce anxiety and stress. This “friendship bench” is a component of a larger project to address psychological distress while waiting for official consultations and offers a new community-based approach to provide interim services in remote areas that lack dedicated health professionals. A value of 1 is assigned because a component of this psychological health program was innovative.

***Humanitarian Assistance – Partially integrated – Score 1***

Delivery of medical cargo in areas difficult to access: use of drones for the delivery of emergency supplies (ex: vaccines and blood) which are significantly faster than by roads, difficult to use or blocked following extreme weather. A value of 1 is attributed since this portion is innovative by integrating a new technological delivery system in helping achieving the project outcome of reaching remote communities as part of a humanitarian deployment program after a natural disaster.