How to Promote Innovation in Development Cooperation: Lessons Learned

Final Report

May 2009

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Contents

The following Annexes are contained in a separate document:

Acronyms

DAC	Development Assistance Committee
DIME	Development Impact Evaluation
DM	Development Marketplace
Hivos	Humanist Institute for Development Cooperation
IDRC	International Development Research Centre
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
MAP	Multi-Annual Programme Scheme
MFI	Micro Finance Institution
MYFF	Multi-Year Funding Framework
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
UNDP	United Nations Development Programme
UNIFEM	United Nations Development Fund for Women
WB	World Bank
WBI	World Bank Institute

List of boxes, tables and figures

Executive Summary

For the achievement of IFAD's mission to "enable the rural poor to overcome poverty" the promotion of replicable, pro-poor innovations and its scaling up is crucial. On request of IFAD's Executive Board, a corporate level evaluation of IFAD's capacity and experience in the promotion of replicable innovations is undertaken. This evaluation[1] will be built on three main pillars, namely: (i) an assessment of the corporate processes and instruments in support of innovations; (ii) the actual results achieved on the ground in promoting innovations; and (iii) a benchmarking review which aims to capture good practices and approaches of other organizations on the topic. To build this third pillar, the present benchmarking and lessons learnt study has been undertaken to identify good practices in promoting and scaling up innovation and to learn from these experiences. Innovation is understood to cover not only technological solutions but also institutional and organizational approaches at community or central level and in project management that are new in its development context. Five comparator organizations (Irish Aid, UNIFEM, World Bank, HIVOS, IDRC) were selected based on the relevance and experience in terms of innovation, and in view of a balanced institutional background (bilateral donor, multilateral donor, IFI, NGO, research institution). The methodology of the study relies on screening available documents of the comparator organizations, and telephone interviews - using a half-standardized questionnaire - with informed staff at the headquarters of the five priority organizations.

Understanding Innovation

Novelty in a given context is the only common denominator of understanding innovation. However, an explicit definition is often lacking. IFAD is one of the noticeable exceptions in this respect. While recognising different understandings of innovation, a productive approach to promote innovation is facilitated by a reflection on the prerequisites an organisation considers to be essential. Innovation is viewed differently by each individual and organisation, however, external assessment is generally required when it comes to an organisation's reputation with respect to innovation. Interagency exchange among organisations emphasising innovation does not seem to exist. IFAD should reflect to
► Examine and make explicit the prerequisites IFAD considers necessary for innovation to take place.
► Assess IFAD's reputation as an innovator in the field by asking relevant questions to partners and other stakeholders in the upcoming field visits of the evaluation.
► In order to exchange experiences, it might be interesting for IFAD to establish a learning partnership with other agencies practicing a conscious and strategic approach on innovation promotion.

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[1] The overall corporate level evaluation on innovation has four general objectives: (1) evaluate the relevance of IFAD's 2007 Innovation Strategy to reduce rural poverty, (2) assess IFAD's capabilities to implement its Innovation Strategy (3) assess recent IFAD efforts and performance in promoting and replicating innovations and (4) generate a series of findings and recommendations that will feed into the implementation of the Fund's Innovation Strategy and inform the Fund's future directions.

> **Box 1: Promoting innovation – what works and what does not**
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> - Appreciate and support your staff in their efforts of being innovative and promoting innovation.
> - Provide space for long term commitment and for learning.
> - Be flexible, adaptable and responsive to emerging issues.
> - Ensure constant interaction with all partners and stakeholders.
> - Make the promotion of innovation a conscious effort, including support from the management.
> - Learn from failures. Do not be discouraged by set-backs but keep looking and moving forward.
> - Innovation should not be addressed just for the sake of it.
> - Do not exclusively focus on results and targets.
>
> (Source: interviewees)

Strategic Orientation

An explicit innovation strategy and its implementation determine a conducive environment to making innovation happen. A deliberate knowledge management facilitates access to internal and external sources of knowledge as a cornerstone of innovation. Individual staff members can make a difference in promoting innovation, based on an appropriate strategic environment. IFAD should reflect to
► Systematically review IFAD's rules and regulations how they hinder or support innovation.
► Make systematic use of knowledge management resources within IFAD in order to share experience across the institution and particularly across institutional units as an important element of a culture of innovation.
► Pay particular attention to issues relating to human resource, including mainstreaming innovation in staff selection procedures, training opportunities, duty sheets, time allocation, incentive patterns and career planning.

Process and Implementation

There are two ultimately complementary approaches to innovation: (1) a process analysis focusing on different stages, (2) a system approach departing from context specificity. Nourishing the innovation process with adequate resources in terms of staff and funding is key. Particularly the combination of grants and loans permits lending institutions to mitigate higher costs and risks for partners when developing and adopting innovations. Innovation can be seen as both a result of effectiveness or a cause for effectiveness. For the latter it is important to have feedback from the ground in order to precisely identify changes. IFAD should reflect to
► Feed the innovation process, particularly the scouting of ideas, with adequate resources in terms of staff time and funding. Particularly ensure support from management at all levels to encourage risk taking by staff and partners.
► Continue and improve to combine tailor-made grants and loans to mitigate higher costs and risks for partners when developing and adopting innovations.
► Ensure constant feedback from the ground on innovation processes in order to understand the changes taking place and assess their effectiveness.

Institutional Dimension

Internal perspectives and procedures as well as structures are not neutral but may have enabling or hindering effects on innovation. Particularly noteworthy is the frequently mentioned difficulty of sharing information across institutional boundaries ("compartmentalisation"). There is a variety of diverse instruments to actively promote innovation internally and with partner organisations, particularly non-specified funds are popular. While small sized agencies have a comparative advantage in view of creating a conducive environment for innovation, the organisational structure in general does have an impact on knowledge sharing. IFAD should reflect to

► IFAD's internal procedures as well as staff's attitudes should be analysed with respect to their enabling or hindering effects on innovation in order to shape a conducive environment to stimulate the creativity of staff.

► The comparative advantage of a small sized agency like IFAD in terms of innovation should systematically be developed, particularly the understanding of how knowledge is shared between its different departments.

► A more systematic evaluation of found instruments might help IFAD to adopt the most suitable ones. When using particular instruments to identify and promote innovative approaches, ensure that these experiences find a wider audience within and beyond IFAD. Pay attention to making good use of knowledge to be gained from innovation competitions, such as the planned annual innovation competition.

Partnerships

A decentralised approach with a strong field presence strengthens the contextual understanding of the agency and is an asset for a deliberate innovation strategy. When engaging in new partnerships, the track record in innovation of a potential partner can be taken into account as a decisive factor. Creativeness and leadership of individuals in partner organisations play a crucial role in the innovation process. This "personality connection" must not be underestimated compared to institutional factors. IFAD should reflect to

► Strengthen IFAD's field presence in view of an enhanced understanding of the local context and a shared understanding of innovation with partners.

► When engaging in new partnerships, take the track record of potential partners in innovation into account as a decisive factor, even if it involves a shift from government to private partners.

► Give credit to creative individuals and leaders in partner organisations who play a crucial role in the innovation process.

Scaling Up and Replication

Two different approaches of scaling up are practiced, each with its own merits: (1) piloting und scaling up on firm ground of consolidated experience; (2) experimental start with continuous expansion. Continuous monitoring of pilot approaches is a key for scaling up. Results and feedback from the ground form the starting point for any scaling up processes. Ownership of innovations by partners strongly influences adoption, replication and up scaling. Ownership is the result of an inclusive innovation process. IFAD should reflect to

► Promote ownership by partners in view of adoption, replication and scaling up of innovations by practicing an inclusive innovation process.
► Take results and feedback from the ground as the starting point for any scaling up process, based on continuous monitoring of pilot approaches, and feed into higher level policy dialogue.
► Take care of the contextual relevance for innovation when shaping IFAD's relationships with partners, including consideration of programme funding.

Risks and Mitigation

Weaknesses and failures are considered as learning ground, based on the corporate culture. Recognising potential failures in an early stage can be crucial for risk mitigation. A precondition for this recognition is constant interaction with relevant stakeholders. Innovation means running higher risks and requires solid mechanisms of accountability to all stakeholders by the development agencies – risks need to be addressed, rather than avoided. IFAD should reflect to

► Consider weaknesses and failures as learning opportunities, anchor this view in IFAD's corporate culture and define processes to extract the lessons for the future.
► Make change process visible and understandable through constant interaction with relevant stakeholders.
► Review IFAD's mechanisms of accountability to all stakeholders whether they are adequate in view of the higher risks run by the innovation exposure. Analyse potential risks particularly in view of differing interests among stakeholders.

1 Introduction and Background

1.1 Mandate and Methodology

1. As an International Financial Institution (IFI) the International Fund for Agricultural Development IFAD is mandated to "enable the rural poor to overcome poverty". The importance to devote attention to **promoting innovations** that can be replicated and up-scaled by borrowing governments and other partners has been long recognised by the Fund. In addition, the concept of replication and upscaling by IFAD itself can be considered. IFAD's Vision, Mission and Values Statement of May 1995 recognised the significance of innovations, noting that the Fund would "ensure the design and implementation of innovative, cost effective and replicable programmes with sustainable impact". Since around 2000, the focus and attention on innovations became more prominent. IFAD's Strategic Framework[2] for 2007-2010 includes "innovations, learning and scaling up" as one of its six principles of engagement. In order to operationalise the provisions contained in the IFAD Strategic Framework, the Fund developed an Innovation Strategy[3], approved by the Executive Board in September 2007. Prior to that, the Initiative for Mainstreaming Innovation had been launched in December 2004, and the Executive Board approved in April 2007 a Knowledge Management Strategy, which is also important for the promotion of innovations. Apart from setting up specific strategic guidance with respect to innovation, IFAD has also undertaken first steps of understanding its actions by specifically evaluating its innovation Capacity as a Promoter of Replicable Innovations in 2001.[4] Therefore, innovation has consciously been developed as a key aspect of IFAD's identity and an approach to being more successful in fighting rural poverty.

2. On request of the Executive Board, IFAD's Office of Evaluation has mandated towards the end of 2008 a team to undertake a **corporate level evaluation** of IFAD's capacity and experience in the promotion of replicable innovations. This innovation evaluation has four general objectives: (1) evaluate the relevance of IFAD's 2007 Innovation Strategy to reduce rural poverty, (2) assess IFAD's capabilities to implement its Innovation Strategy, (3) assess recent IFAD efforts and performance in promoting and replicating innovations, and (4) generate a series of findings and recommendations that will feed into the implementation of the Fund's Innovation Strategy and inform the Fund's future directions (IFAD 2008, p. 9).

3. An important building block of the evaluation is to learn from the experience of other agencies in the field of innovation for development. This is done with this **benchmarking study**[5]. Its aim is to position IFAD within the spectrum of comparator agencies and to identify good practices in promoting and scaling up innovation and to

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[2] Approved by the Executive Board during its 89th session in December 2006 – see document EB 2006/89/R.2/Rev.1.

[3] See document EB 2007/91/R.3/Rev.1.

[4] See Report Nr. 1325, available at:
http://www.ifad.org/evaluation/public_html/eksyst/doc/corporate/innovation.pdf.

[5] Benchmarking in the sense of identifying and learning from good practices in other organisations was also fruitfully used in the corporate level evaluation of IFAD's Field Presence Pilot Programme in 2006/7, a study which has also been undertaken by Gerster Consulting.

learn from these experiences. Based on the diversity of approaches guiding the stimulation and exploitation of innovation and the experience made, the benchmarking study is to provide good practices for innovation approaches of the organisations included in the study.

4.   The **methodology** is based on a qualitative, exploratory approach and includes the following two elements:
- Half-standardised phone interviews with key persons in the respective agencies[6] based on a previously elaborated questionnaire (see annexe 10.1); and
- Desk research of available documents of the organisations, both as a preparation for the interviews as well as following the interviews, if more specific documents were identified in the course of the interview.

All the information pertaining to one organisation was collected in a matrix, a copy of which can be found in annexes 10.4-10.8.[7] This information was then analysed systematically using a programme called MAXQDA[8]. MAXQDA is an instrument for professional text analysis. It is used for computer assisted qualitative data analysis and helps to systematically analyse and interpret texts. The results of this analysis are described in chapters 2 – 8.

5.   More specifically, the study pays attention to the following **thematic areas**:
- Definition;
- Strategic issues;
- Institutional issues;
- Innovation process
- Partnership;
- Implementation;
- Risks and mitigation;
- Good practices; and
- Lessons learnt.

The specific questions for each thematic area can be found in annexe 10.1. In this questionnaire scaling up and replication have been treated in a cross-cutting manner and were addressed in various areas. As they emerged to be an important aspect of innovation they are treated as a separate chapter in this report. Overall the questionnaire was found to be very ambitious as it covered a wide variety of areas. In some cases it was difficult to identify the right person to answer for a specific area with the result that occasionally only limited information could be obtained.

1.2   Agencies Covered

6.   The main **selection criteria** for the identification of comparator organisations are the following: (1) relevance of innovation for the organisation: any references in an organisation's mission, mandate or working principles, possibly the availability of

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[6] Overall eleven interviews were conducted between April 4th and 23rd 2009 (the list of interviewees can be found in annexe 10.2.). Two more interviews were conducted on May 21st and 22nd. On average they lasted one hour. Notes from the calls were sent to the interviewees who could then comment on them and provide additional information. However this was only made use of in half of the cases.

[7] These annexes are presented in a separate document as they should not be considered to represent a thorough systematic coverage of the issue in each organisation. They merely were the basis of information for this study.

[8] See http://www.maxqda.com/.

an innovation strategy; (2) institutional background: the selected sample should include United Nations (UN) agencies, International Financial Institutions (IFIs), bilateral aid agencies and non-governmental organisations (NGOs); (3) easy access to the organisation.

7. Out of a group of ten organisations initially considered, the following were included in the benchmarking study (in alphabetical order):
- Humanist Institute for Development Cooperation (Hivos) – NGO;
- International Development Research Centre (IDRC) – research institution;
- Irish Aid (IA) – bilateral agency;
- United Nations Development Fund for Women (UNIFEM) – UN organisation;
- World Bank (WB) – International Financial Institution (IFI).

Table 1: Overview of comparator agencies

	Hivos	**IA**	**IDRC**	**UNIFEM**	**WB**
Institutional back-ground	NGO	bilateral donor	Research institution	UN organisation	IFI
Head-quarters	The Hague	Limerick	Ottawa	New York City	Washington DC
Field offices	Nine (four regional and five local offices)	Eight	Six	More than 60 (liaison, regional, country programme and project offices)	More than 100
Number of staff	191	184	446	232[9]	More than 10'000 worldwide
Strategic areas (as presented on the organisation's respect-tive websites)	- Financial services & enterprise development - Sustainable production - Human rights and democratisation - HIV/AIDS - Art and culture - Gender, women and development - ICT and media	- Access to social services - Hunger and food security Four policy priority which inform its programmes in a cross-cutting manner: - Gender equality - HIV/Aids - Environment - Governance	- Environment and Natural Resource Management - Information and Communication Technologies for Development - Innovation, Policy and Science - Social and Economic Policy	- Reducing feminized poverty - Ending violence against women - Reversing the spread of HIV/AIDS among women and girls - Achieving gender equality in democratic governance in times of peace as well as war	- The poorest countries - Post-conflict and fragile states - Middle-income countries - Global Public Goods - The Arab World - Knowledge and learning

8. With respect to the **scope and timeframe** it should be noted that the entire study took place in a very tight timeframe[10] which particularly had an impact on the

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[9] Additionally, UNIFEM also employs 364 Service Contract holders providing support to programming activities in the field. In addition, UNIFEM contracts cost-effective short term technical expertise to support programming (oral communication).

availability of interview partners. In some cases not all of the proposed persons could be interviewed. Especially in the case of the WB being not only a very large institution, but at the same time in the process of reorganising[11] some of its structures to address innovation in a more prominent manner, it would have been rewarding to gain a more complete picture. The following references to experiences of the WB are mainly referring to two of its initiatives, namely the Development Marketplace (DM) and the Development Impact Evaluation Initiative (DIME). In this sense this study should also be seen as having some exploratory characteristics.

2   Understanding Innovation

9.   Innovation is one of those terms which are notoriously hard to grasp. One of the term's inherent difficulties is the fact that it might refer to a new creation, such as a product or a service, as well as to the process of arriving at this creation. There is **no agreed definition** of the term across agencies and it is understood very differently across contexts and over time. This is also reflected in the relativity of something being called innovative: what is called innovative in one context, at a certain time is nothing extraordinary in another situation. This relativity makes innovation even more difficult do define. A fundamental aspect of innovation, however, is the notion of novelty, something which is acknowledged by all consulted agencies – even if to a differing extent: While assessing the submissions for its DM (a global competition which provides grants to innovative early-stage projects, see also box 7), the WB aims at ensuring absolute novelty by including a variety of experts from all over the world. For UNIFEM, on the other hand, something is also considered to be innovative if it is new to a particular context or location – an approach similar to the understanding of IFAD which says that "to be considered innovative, [a product, idea or approach] needs to be: new to its context of application" (IFAD 2007, p. 7).

10.   In order to overcome this vagueness of the concept, an organisation may elaborate an **explicit definition of innovation** as IFAD did (see Box 2) and agreed even at the executive board level. While neither Hivos nor IA and IDRC have and make use of a formally documented definition of innovation, UNIFEM has consciously elaborated a working definition of a catalytic role which is presented in its Strategic Plan 2008-2011 (see box 2). One main reason for its conscious approach to the issue was an external evaluation of its Multi-Year Funding Framework (MYFF) which came to the conclusion that there was no explicit internal definition of the term and that while many of the staff had similar understandings of the term's meaning, there were also differing interpretations.[12] In this respect it is interesting to note that UNIFEM decided to concentrate its conscious effort with respect to being more deliberate about its mandate of playing "an innovative and catalytic role" within the

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[10] Overall the time between the initial inception meeting between IFAD and the authors and the submission of the final report was less than two months.

[11] One of the effects of the reorganisation process was that many specific questions could not be answered effectively, as many things at the time of the interviews were unclear, e.g. managerial positions were not yet filled and no concrete work such as developing specific tools as foreseen was yet undertaken.

[12] "Finding 9: While the role of 'catalyst' is part of UNIFEM's mandate, there is no agreed-upon definition that would specify what the term signifies in relation to UNIFEM's work, or how a 'catalytic' role differs from other forms of engagement." (Universalia 2007, p. 32).

UN system[13], on the catalytic role, rather than the innovative. It is doing this without explicitly saying why and how the two terms differ from each other[14]. Indirectly this also means that in a sense UNIFEM is still operating with an implicit understanding of innovation. However, there seems to be an informally shared understanding of a close relationship between the two characteristics and UNIFEM stresses the importance of the following aspect, namely that of "creating a change that would not have occurred without the catalyst" – something which is certainly also expected from innovations.

Box 2: Two definitions relating to innovation

- "A working definition of **UNIFEM** as a catalyst and its relation to replication and 'upscaling': UNIFEM will act as a catalyst in one of two ways: (a) Enable changes and change processes that would otherwise not take place; or (b) Influence the speed or quality of change processes, for example by facilitating the process through support to involved players and assistance in structuring the process.
  UNIFEM enhances the likelihood of successful change processes that are driven and owned by the partners involved in them. UNIFEM does not take responsibility for replication or 'upscaling'. Rather, the capacity of UNIFEM to document, advocate and convene strategic partners serves to create an environment conducive to replication and 'upscaling'. The extent to which others replicate or scale up the catalytic initiatives inspired or supported by UNIFEM is an indicator of the success of the catalytic effect. UNIFEM may need, in different instances, to accompany the process of replication and/or 'upscaling' with supporting documentation, evaluations and similar tools, so that it can better understand the critical elements in formulating catalytic initiatives that lend themselves to replication or 'upscaling'".

- "In the case of **IFAD**, the operational framework of the Initiative for Mainstreaming Innovation defines innovation as 'a process that adds value or solves a problem in new ways'. This strategy retains this definition, and it further specifies that in order to qualify as an innovation, a product, idea, or approach needs to be new to its context, useful and cost-effective in relation to a goal, and able to 'stick' after pilot testing."

(Source: UN 2007b, p. 8 and IFAD 2007, p. 4)

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11. Apart from an explicit definition there are other indicators which implicitly illustrate an organisation's understanding of innovation. These were noted particularly in questions pertaining to scaling up and replication and will therefore be discussed in more depth in the second paragraph of chapter 7. However, another indicator to be discussed here are specified **prerequisites** which an organisation considers necessary for the promotion of innovation. The following select factors have been named to be crucial for innovation to take place[15]. As some of these aspects relate to institutional issues, they will be discussed in depth in chapter 5:

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[13] UNIFEM's mandate is: ""i) support innovative and experimental activities benefiting women in line with national and regional priorities; ii) serve as a catalyst in order to ensure the involvement of women in mainstream development activities, as often as possible at the pre-investment stage; and iii) play an innovative and catalytic role in relation to the United Nations system of development co-operation." (various UNIFEM documents).
[14] While the independent evaluation concluded in this respect that the "two terms are distinct and not synonymous", because they are both listed explicitly in the mandate (Universalia 2007, p. 32; see also remark 4 on p. 35 in the same document for further elaborations on the relationship of the two concepts), this argument was not taken up in any official UN respectively UNIFEM documentation.
[15] These points were derived from an open question in the interviews, they were not asked in a systematic manner.

- Openness – with respect to structures (flat hierarchies and unbureaucratic procedures) as well as with respect to results (Hivos, IA, IDRC).[16]
- Consequence ("Walk the talk") – do not penalise risk taking and set the right rewards; ensure support from the management (Hivos, IDRC).
- Constant interaction – with all constituents and with partners (Hivos, IA, IDRC, UNIFEM).
- Shared understanding – accompanied by a plan with specific indicators (UNIFEM).
- Particular individuals – institutions as well as individuals are often conservative, however, dedicated and motivating individuals can make a difference (WB, Hivos).

It might be worth noting that while explicit definitions can be difficult to work with due to their abstractness, some of the listed prerequisites could provide clearer guidance for an organisation's effort to promote innovation.

12. One aspect which was neglected in this study is the fact that innovativeness is generally not something that can be assessed by the innovative organisation or person itself but depends on the **judgement of third parties**. And while it was not possible to include the third party perspective systematically in this study there is punctual evidence, for example from external evaluations. These can concern an organisation as a whole or specific elements or its work (see for example box 9 for assessments on IA's approach to its funding mechanism for NGOs). Resembling external judgements can be found for Hivos and UNIFEM. The following characteristics are attributed to both organisations, namely that they introduced new topics or ideas, but that they also were "able to help partners take a new approach to or view of an already known issue, thus transforming their perception of a problem or topics, and in this way introducing an innovative approach to dealing with it" (Universalia 2007, p. iii). Two activities upon which the assessment of UNIFEM was based in this context include: the introduction of gender responsive budgeting as presenting a new idea or "'translating' CEDAW [Convention on the Elimination of All Forms of Discrimination against Women] into different contexts and helping partners to apply the tool in their respective reality" (ibid., p. 22), as an example of transforming a perception of a problem. Hivos is particularly recognised for addressing new topics, for example the use of information and communication technologies or the role of media in development. This recognition by third parties is furthermore recognised as an important element of the innovative identity by all organisations: The adoption and up-taking of one's ideas by other stakeholders is considered to be an important indicator for the innovativeness of an organisation (see also paragraph 24 which relates this factor also to an organisation's size). However, while it is evident that there are organisations within the field of international cooperation which are generally considered to be more innovative than others, there does not seem to be any systematic interagency exchange of experience when it comes to the promotion of innovation among organisation interested in this issue.

► *Novelty in a given context is the only common denominator of understanding innovation. However, an explicit definition is often lacking. IFAD is one of the noticeable exceptions in this respect.*
► *While recognising different understandings of innovation, a productive approach to promote innovation is facilitated by a reflection on the prerequisites an organisation considers to be essential.*

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[16] It is interesting to note that in this context Hivos has mentioned that there is also a certain danger implicit in being open, namely that of loosing focus.

► *Innovation is viewed differently by each individual and organisation, however, external assessment is generally required when it comes to an organisation's reputation with respect to innovation. Interagency exchange among organisations emphasising innovation does not seem to exist.*

3   Strategic Orientation

13.   It has often been mentioned that innovation is frequently prompted by an organisation's internal culture and implicit mechanisms and not always explicitly reflected in **strategic and policy documents**. However, in the case of both IDRC and UNIFEM references to innovation are clearly expressed in the institutions' legal mandates, namely the IDRC Act (passed by the Canadian Parliament) and UNIFEM's mandate (as set up by the UN General Assembly). In the case of Hivos, innovation is one of the underlying working principles, namely: "Hivos values the driving force and inspiration of innovation, it creates room for the new and the unknown, and takes calculated risks." (Hivos 2002a, p. 16). And IA has a number of references to innovation and innovative approaches in its White Paper on Irish Aid. The extent to which innovation is integrated into further strategic documents and policies varies among the consulted agencies. While in some instances there is the impression that the word is used in a somewhat coincidental manner and could be replaced by any other adjective (this seems to be particularly the case in annual reports of many organisations), there are also examples which clearly demonstrate a deliberate, reflected and strategic approach (see box 3). In this context it is also interesting to note that external influences can play an important role for an organisation's more strategic or conscious approach to innovation – independent of any references to the organisation's mission or mandate: This was true for UNIFEM and the WB, and to a lesser or somewhat different extent for IA. For UNIFEM an evaluation of its MYFF has been a trigger point; in the case of the WB demands by its client countries as well as extensive ongoing consultations with internal and external partners stand at the beginning of its currently (at

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Box 3: Innovation in Hivos' policy document

"Hivos has the explicit wish to be innovative in its activities and strategies. Not for the sake of innovation itself, but because it is part of its identity, and because it is essential for a small actor that wants to make a difference and likes to have a distinct profile. Innovation is seen as a continuous process of invention, experimentation and the adoption of new themes, products and approaches as long as they fit in Hivos' overall goal and strategy. Innovation should result in new themes and activities as well as in the raising of quality standards. Innovation power and learning capacities need a culture of knowledge sharing. To create such a culture will be one of Hivos' priorities in the coming years. In the allocation of its resources Hivos has always created room and flexible opportunities for new and sometimes risky initiatives, and it will continue to do so."

(Source: Hivos 2002)

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the time of the interviews) ongoing strategic reorientation with respect to innovation. Furthermore the insight, that one of the WB's comparative advantages is knowledge but that it needs more expertise on how to capture knowledge on "frontier issues" in order to stay ahead has been an important realisation. As a first response it has set up a new pillar in the World Bank Institute (WBI) which is focusing on innovation. It will be interesting to see to what extent this strategic approach of setting up a specific

entity to deal with innovation will prove its value – none of the other organisations made use of a separate organisational unit. In the case of IA it can be said that its quite rapid and consequent reorientation from a project based to a programme based approach in the 1990ies was a decisive moment which created both a need for and an awareness of innovation. As the organisation had to "start from scratch" it had to be innovative about it. However, in the case of IA this did not result in a deliberate and strategic approach to innovation but rather in an institutional awareness of its relevance. Apart from a general strategic orientation there are various specific areas in the management of an organisation which are highly relevant for innovation. In the following paragraphs two of them will be discussed in more depth.

14. One specific area which is key for innovation is that of **knowledge management**, as access to different knowledge sources is a cornerstone of innovation. Knowledge management, particularly internal communication, has also been identified as a challenging aspect in many of the consulted agencies – at least to a certain extent: Three years ago, Hivos has redesigned its knowledge management programme, as it did not achieve the intended results. One new element is the introduction of a knowledge officer in each bureau. This person establishes contacts with research institutes, follows developments with staff and partner organisations and can really focus on knowledge processes. Similarly, UNIFEM is in the process of investing more resources into knowledge management, which has been identified as a priority for the organisation, for example by appointing a knowledge manager whose responsibility will include the improvement of the intranet as well as the website of UNIFEM in order to make documents available more easily (ongoing at the time of the interview). Also IDRC identified room for improvement with respect to the communication between its different thematic teams. The same effect was observed by IA, but – according to its structures – there the identified challenge was knowledge sharing across country programmes while it works well within a specific country programme. While generally procedures for the exchange of information and documentation seem to be in place, it seems that they could be utilised better. With setting up an innovation pillar within the WBI, the WB has decided to establish a body which is particularly responsible for external knowledge management. It has felt that it needs additional skills and capacities to capture knowledge that is being generated at the frontline and outside of the WB. Therefore identifying and setting up tools to scan more effectively for innovations and scaling them up will be one of the key tasks of the WBI in future.

15. Staff have been identified as *the* element when it comes to innovation. **Human resource** therefore is one area which holds the key to an organisation's innovative abilities. Both Hivos and IDRC have stressed the fact that they are looking for people with a particular mind set, namely people who think outside of the box, and in the case of IDRC, who are innovators by nature because they are scientists. In both organisations staff holds a key role when it comes to "beating the bush", "spotting the market" and "scouting out new talent". This task is an integrated element of their work. In the case of IDRC about 20-30% of a programme officer's work is dedicated to programme development which entails interaction with other actors. In the management of its staff, both Hivos and IDRC rely very much on principles of intrinsic motivation: their main incentive is to do good quality work and be proud of it. Only very limited use is made of individual incentives (in Hivos outstanding people are mentioned in internal communications, in IDRC there is a mechanism which links

salary increases to individual staff performance – something which is linked to a very intricate and intensive assessment process, but also highly transparent). Similarly UNIFEM does not know any individual incentives. And while the WB has not mentioned any strategically founded changes in its human resource policies, it has been observed by one of the interviewees that the type of people which are employed has changed in recent years: Today, it seems, priorities are on management and social skills and there are penalties for "not playing the game".

► *An explicit innovation strategy and its implementation determine a conducive environment to making innovation happen.*
► *A deliberate knowledge management facilitates access to internal and external sources of knowledge as a cornerstone of innovation.*
► *Individual staff members can make a difference in promoting innovation, based on an appropriate strategic environment.*

4   Process and Implementation Issues

16.   In line with the variety of potential definitions there are **various models** of how innovation is understood and under which perspective it is looked at. Two fundamental approaches include the perspective of an innovation processes, i.e. a linear approach; and an innovation systems perspective, which examines the context under which innovation is taking place. A linear approach stresses the procedural characteristics of innovation by describing different steps which constitute the innovation process.[17] An innovation system approach, on the other hand, stresses that innovation depends on the interaction of different people and institutions and that information and technology need to flow between them in order to create innovation.[18] These two approaches are not mutually exclusive, as particularly the systemic approach also implies an understanding of the innovation process, however, they do stress different components within and aspects of the process. The systemic approach does pay more attention to various stakeholders – an aspect which seems relevant, particularly when working in partnerships. While none of the consulted agencies use a specific model of innovation, there are implicit references which point into one of the two mentioned directions: In the context of the DM (see box 7 for a brief description of the programme), the WB clearly approaches innovation from a linear perspective: Its aim is to support the first phase of an innovation process, but no more[19]. Similarly UNIFEM, which aims at identifying innovative approaches, but clearly does not see it within its responsibility to take

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[17] In IFAD's 2001 Evaluation of its Capacity as a Promoter of Replicable Innovations this approach holds a central role, as it has been found that "the successful innovation approaches promoted by IFAD are those that are based on a somewhat structured and conscious innovation process with sequential stages" (IFAD 2002, p. 1). It furthermore recommends IFAD to "Specify the stages of the innovation process and integrate them into current operations." (ibid., p. 3) and presents a model of the innovation process which has been taken up in the framework for this evaluation (see IFAD 2008, p. 5). This recommendation has been taken up and in its Innovation Strategy IFAD presents a prototyping process for innovation (IFAD 2007, p. 19).
[18] This approach often examines national or sectoral conditions of innovation, as it is done for example in the following reports published for the WBI and by the WB respectively: Mugabe 2009 and World Bank 2006.
[19] In other areas the WB does take a systematic approach, see for example the two reports mentioned in the preceding footnote.

them further (see also paragraph 34). Hivos and IDRC both indicate that they are subscribing to a more systemic approach. In IDRC each programme has an articulated framework with the particularities of the respective field, for example ecohealth. Both of the organisations stress the relevance of including all stakeholders, for example when working in the context of plant breeding not only plant breeders should be addressed, but equally farmers who at a later stage have to work with new plants and other stakeholders should be included. In the context of its work on the Dutch Biodiversity Fund, Hivos has learned that a systemic approach which makes this link between work on the ground in a specific local context and the international policy level also opens up important spaces for scaling up. In order to strengthen this link, Hivos supports organisations which explicitly address it, for example Phytotrade[20] who brings small producers together and enables them access to (international) markets or the International Federation of Organic Agriculture Movements IFOAM[21], a network with local members and a broad lobby agenda. Generally though, it has been stressed that it is not possible to work with a single perspective on innovation as innovation is defined by its context and there are many different entry points. In order to make use of limited resources, UNIFEM recommended that organisations decide on which aspect of innovation they want to focus and then make their investments accordingly.

Box 4: The benefits of adopting an innovation systems approach in the agricultural sector

The context for agriculture is changing rapidly and with it the process of knowledge generation. The following identified changes in the context of agricultural development highlight how a changing context demands adaptive approaches to innovation:
"1. Markets, not production, increasingly drive agricultural development.
2. The production, trade, and consumption environment for agriculture and agricultural products is growing more dynamic and evolving in unpredictable ways.
3. Knowledge, information, and technology increasingly are generated, diffused, and applied through the private sector.
4. Exponential growth in information and communications technology has transformed the ability to take advantage of knowledge developed in other places or for other purposes.
5. The knowledge structure of the agricultural sector in many countries is changing markedly.
6. Agricultural development increasingly takes place in a globalized setting."

A systemic approach to addressing innovation within the fast changing agricultural sector is considered to have great potential, as it (1) draws attention to the totality of actors needed; (2) consolidates the role of the private sector and stresses the importance of interactions within the sector; and (3) emphasises the outcomes of technology and knowledge generation and adoption.

(Source: World Bank 2006, particularly p. vi)

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17.   Implementing and promoting innovations depends on available resources, not least of all finances. It has been said that the key issue is to have sufficient funding and the rest, namely the use of particular **financial instruments**, again depends on the context. In the field of microfinance, for example, Hivos found that the use of financial instruments somewhat reflects the progress of an innovative organisation: Grants can be used to cover higher risks in an initial phase, while loans are accessible for more experienced organisations. Or more specifically: Hivos begins by

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[20] See http://www.phytotradeafrica.com.
[21] See http://www.ifoam.org.

supporting an organisation with seed funding and building its capacity. At some point the organisation has become stronger and more independent and can access other funds. It is worth noting that IFAD also refers this adaptive use of differing financial instruments throughout the innovation process in the approach paper for this evaluation (IFAD 2008, p. 5).[22] This can also be seen as an indicator for successful scaling up: Once an organisation can access funds in the regular capital market, it has become an accepted player. This insight has lead to the development of Hivos' Seed Capital Package, with which it addresses the specific needs of young and/or small microfinance institutions. It provides grants with conditional tranches. About 75% of the supported institutions succeed and this approach has now been taken up by a variety of other institutions in the Netherlands. In the DM the WB takes a very similar approach: it feels that after its initial grant funding the supported organisations should be in a position to attract other sources of finance. While IDRC only has limited experiences with respect to various financial instruments (it generally does not provide loans), it considers the implementation of them to often be problematic: Many of them are based on top-down management and specific reporting structures which can be hindering to innovations on the ground.

18. Depending on how **effectiveness** is defined, the relationship between innovation and effectiveness is bi-directional: On one hand, innovativeness is seen as an

> **Box 5: Hivos Seed Capital Package – a tailored instrument for Micro Finance Institutions (MFIs)**
>
> The reason for establishing a Seed Capital Package for MFIs was an identified gap in the available instruments for young MFIs: Hivos could provide grants for capacity building, training and technical assistance, but many emerging institutions need capital for on-lending purposes. The Seed Capital Package was developed to include a grant to MFIs' loan capital, which will allow them to break even and attract loans. The Seed Capital Package includes the following components:
> - Financing portfolio growth
> - Covering initial operational losses
> - Technical assistance and training
> - Investments in information systems, transport, etc.
>
> Most supported MFIs receive a combination of three of these four elements in their package. Once the MFIs have reached a certain level of maturity become eligible for the Hivos Triodos Fund. This fund provides loans and equity investments. It was created in 1994 and combines Hivos' resources and knowledge of development processes with the banking expertise of Triodos Bank.
>
> The Hivos Seed Capital Package is not only an innovative instrument – Hivos was the first Dutch co-financing agency which developed seed capital grant policy for new MFIs that did not qualify for loans – but it also promotes innovative approaches taken by the supported MFIs, such as innovative financial products for housing or insurance.
>
> (Source: interviewees and Hivos documentation)

indicator of an organisation's effectiveness. Namely IDRC said that if it is effective, there is a lot of innovation. On the other hand, innovation is expected to improve an organisation's effectiveness. In this respect a continuous accompanying – or in more technical terms monitoring – of ongoing processes plays a key role. It is the only way to make the effects of innovations visible, understandable and ultimately replicable. In this context the WB's DIME initiative[23] needs to be mentioned. It is considered to be an innovative approach, as it makes use of already known impact evaluation to

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[22] It would be interesting to know how the arrow identifying the different financial instruments for the individual steps in the innovation process has been integrated into this model, which was initially proposed in the 2001 Evaluation (IFAD 2002).
[23] See http://go.worldbank.org/1F1W42VYV0.

test the effectiveness of specific approaches: "Results from impact evaluations powerfully contribute to our knowledge of 'what works' to produce key development outcomes. Such information is critical not only for the policymakers directly in charge of the program evaluated, but also for others who consider adapting its approach for use in their own circumstances." (World Bank undated, p. 1) The aim is to improve government programmes by directly linking them to the effects they have on the ground. They are encouraged to try out various approaches and testing alternatives and then – based on comparable results – decide what works best. The difficulty is often to motivate people to try out new approaches.

► *There are two ultimately complementary approaches to innovation: (1) a process analysis focusing on different stages, (2) a system approach departing from context specificity.*
► *Nourishing the innovation process with adequate resources in terms of staff and funding is key. Particularly the combination of grants and loans permits lending institutions to mitigate higher costs and risks for partners when developing and adopting innovations.*
► *Innovation can be seen as both a result of effectiveness or a cause for effectiveness. For the latter it is important to have feedback from the ground in order to precisely identify changes.*

5   Institutional Dimension

19.   The **organisational background** of an institution is a key influencing factor for the role innovation plays in its identity and self-concept. This is evident in all of the consulted agencies and is noticeable particularly with respect to specific aspects such as human resource, partnerships or core values:

- Hivos is strongly influenced by its close link to humanism "an ideology that puts people and human values at the heart of everything" (Hivos undated).
- IA is one of the bilateral donors which at an early stage has started to orient its work around programmatic approaches. This fundamental reorientation has been catalytic for innovative thinking within the institution.
- Being a research institution, IDRC attracts predominantly scientists as staff. This implies certain characteristics, namely that one is curious.
- For UNIFEM it is clear that the entire UN system is a centre of reference and UN agencies are among its key partners.
- The WB, while being a Bank, has a mission as development institution for its membership. It also sees itself as a influencing institution when it comes to collecting and sharing information.

20.   For Hivos, IDRC and UNIFEM it is clear that innovation is a central element of their identity which is expressed explicitly. This is also expressed by their **internal culture**. All three express that their staff is aware of the role that innovation plays within the institution. In Hivos, for example, it has been noted that staff who joined the organisation in recent years has explicitly expressed interest to join the institution because of a certain reputation it has, for example with respect to working conditions, namely that it is possible to invest time into the development of specific issues. At the same time Hivos has undertaken specific efforts to introduce new staff to its culture, including innovation as a key element of its identity. It is interesting to note that while innovation evidently is a cornerstone for both Hivos and IDRC, they also both clearly state that innovation should not

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Box 6: Civil Society Building in Hivos

The following extract from Hivos' Vision Paper on Civil Society Building is an example of how an organisation's institutional background and culture contribute to providing space and openness required for innovation:
„In Hivos' vision, strengthening civil society is at the core of social transformation. Over the last 15 years, Hivos has defined its strategy in this respect as 'civil society building' […] 'Building', though, does not mean working towards a clearly-defined end situation, or following a single, standard 'construction plan', and also not imposing these methods and formats from outside. The main drive is to facilitate or enable endogenous processes of association among citizens in the South and linking and mobilising support for these processes at the global and national levels."

(Source: Hivos 2008)

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be practised for its own sake (the same attitude has been expressed by IA). Or in the words of an IDRC staff: "The bottom line is that things should be done effectively and positive outcomes should be achieved. This can refer to new approaches, but also to deepening existing approaches." Overall it can be said that an environment which allows people to work together, to have open discussions and to think about solutions to specific problems is conducive to innovation. In the case of IA the last argument seems particularly important. Innovation per se is not as central to the organisation's identity as it is for the previously discussed three, however, there is a general attitude within IA to continuously improve its approaches, to constantly and critically reflect what it is doing – ultimately with the aim of ensuring the poverty focus of its work. These processes, which are supported by specific methods, facilitate innovation and an awareness thereof. There are also select references in annual reports of various speeches which do suggest that there is a certain internal culture and awareness of being innovative.

21.   Another aspect which is not only closely related to an organisation's culture, but at the same time a key decisive factor for innovation is that of **internal procedures**. There is agreement, that flexibility (particularly unbureaucratic procedures), openness and flat hierarchies are conducive to innovation. An important aspect of IDRC is an open discussion culture which is promoted by organising learning sessions (open debates where diverging view points are accepted) on specific issues. Hivos stresses that a somewhat iterative approach to project planning and management is important. Projects are not completely thought out at the desk, there is always room for changes should the need arise. Furthermore, Hivos tries not to be too bureaucratic when it comes to partnerships. It does not demand log-frames or

annual reports in a specific format from partners.[24] IDRC, Hivos as well as UNIFEM know some sort of regular reviews (generally in a 6 month time period), during which staff is encouraged to share new approaches as well as successful approaches.[25] UNIFEM's "Safe Cities" project (see box 11) was, for example, identified during such a review session. Generally none of the formal processes and documentation requirements such as project proposals, project progress or completion reports or similar instruments do integrate explicit references to innovation. However, assessments of innovation potential are integrated into specific aspects, for example general assessments, in the description of the context or in specifying risk management procedures or as an element of evaluation.[26] But it seems that a "one size fits all" approach in this respect is not conducive to innovation, as the projects are too diverse and the issue needs to be addressed in an integrated manner. Such a lack of a systematic, formal integration of innovation might seem contradictory with the need to mainstream innovation across organisational processes, however, it also points to the relevance of an internal culture of innovation including a shared history such as is the case in IA, and the individual staff capacities. Hivos, IDRC and UNIFEM have managed to achieve a certain reputation of being innovative without particular formal procedures. But in all three organisations innovation has played a key role since their inception – the situation for IFAD is therefore somewhat different and systematically addressing formal procedures when mainstreaming innovation potentially plays a different role for IFAD.

22.   When discussing particular processes the issue of **results based management** should briefly be mentioned as it has been referred to negatively by some interviewees. On the one hand as it does not leave room for innovation due to its exclusive focus on results: "A blind focus on targets does not promote innovation." On the other hand it is seen to shift all responsibility to the partner agencies respectively the governments. In this process lies the danger of a "black box approach", namely to not closely look at the inside of it. But without closely looking at the processes or at the entire chain from inputs to impact and at the intermediary critical results, there can be no understanding and therefore no innovation either. It has also been said that moving from input based financing to output based financing (or financing for results) shifts the risks to the partners, rather than keeping them within the organisation. And while a funding organisation can balance its risks among the various partners, the partners often only have one possibility. None of the consulted agencies denied the importance of achieving results, but some of them were critical towards an exclusive focus on results (see also paragraph 39). And while the issue of results based management was not addressed systematically in the interviews, these remarks made in passing do seem worth to be mentioned at this point.

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[24] In a study examining NGOs and innovation in The Gambia, the authors identify a perceived negative impact of ever increasing bureaucratic requirements in the implementation of large scale projects on the organisations innovative capacities. The article also discusses different phases of innovation and their differing requirements for institutional capacities, structures and processes (Fyvie, Ager 1999).

[25] Hivos explicitly mentions that staff is also encouraged to share failures, but that in this respect it is generally more difficult to get concrete experiences.

[26] With respect to evaluation it is interesting to note that both IA's evaluation polity and the new IFAD evaluation manual refer to the innovation aspect in the context of replication and scaling up.

23.   All of the consulted agencies use a **variety of instruments** at different levels to promote innovation. The various instruments used by the consulted organisations have not been assessed systematically, however, as the following select examples show, they are very diverse and address a variety of aspects of innovation. Broadly one can distinguish between instruments which promote innovation in the field or with partner organisations and those which promote innovation among an agencies' staff members:

- The UN Trust Fund to End Violence against Women[27] is a UN Fund managed by UNIFEM. The Fund is seen as a catalyst to support new ideas and document and disseminate innovative and promising approaches on ending violence against women and girls. It awards grants through an annual open and competitive process focusing on supporting the implementation of national and local laws, policies and action plans. In the application process there are some special considerations for innovative projects.[28]
- The WB's DM is a competitive grant programme which is held every 12 – 18 months. It aims at identifying innovative projects in various fields (past calls for proposals have included the following topics: public health, sustainable agriculture, climate change adaptation or water and sanitation). Recipients are usually social entrepreneurs, NGOs or small, emerging firms.

Box 7: The WB's Development Marketplace – an instrument to identify innovative approaches

The Development Marketplace (DM) is a competitive grant programme administered by the WB and supported by various partners. The competition identifies and funds innovative, early-stage projects with high potential for development impact. DM has awarded more than 54 million US$ in grants (generally 200'000 US$/2 years), supporting projects through their proof of concept phase. Using DM funding as a launching pad, projects often go on to scale up or replicate elsewhere, winning prestigious awards within the sphere of social entrepreneurship.
The DM is currently the main activity of the innovation pillar in the World Bank Institute (WBI). The topics for the respective calls are very diverse and include areas such as climate change, sustainable agriculture or public health. Numerous experts are included in the two-step selection process and the WB makes full use of its expertise.

(Source: interview and DM website)

- In all IA's country programmes there is a so called process fund. It is an unspecified fund to do experimental work and to find out whether and how such new ideas work. The fund permits to not only bring in innovative ideas, but also to find and document evidence for their effects. In some cases, for example the HIV/Aids programme the disposable sum is considerable, namely around half a million Euros.
- IDRC has set up synergy grants. They are used to take advantage of windows of opportunities which can emerge during an ongoing

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[27] See http://www.unifem.org/gender_issues/violence_against_women/trust_fund.php.

[28] „Budget requests should be within the range of a minimum of $300,000 to a maximum of $1 million total for duration of two to three years. Proposals will be considered for a minimum $100,000 for duration of up to three years for innovative approaches from small civil society organizations, especially grassroots women's organizations and networks, and those working in conflict and unstable situations." And: „The UN Trust Fund will not consider applications: [...] Requesting grants to fund on-going programmes or services - such as medications, counseling and treatment services, infrastructure or construction, etc. However, innovative piloting and evaluation of an existing programme or services intended as a model for learning and scaling up may be considered on a discretionary basis, provided it falls within the scope or purview of the overall objectives outlined in the UN Trust Fund Call" (UNIFEM 2009, p. 4 and 5).

project, for example to cover expenses of organising a workshop when it is needed, but was not planned; to participate in conferences or to elaborate specific briefings. They can be used to cover activities which take time and additional resources which are otherwise not available on short notice, but which contribute to making more of already ongoing activities.

- Hivos has a sabbatical holiday policy which works as follows: both the employees and Hivos set aside three leave days per year of work for Hivos. After five years, one is entitled to have a six week sabbatical. If the employee just wants to take the holiday, (s)he can take his/her own fifteen days, otherwise one can write a proposal to the respective superior in which the sabbatical project is described and why Hivos should contribute to it. Generally a part of the six weeks should be uses for studying or training, for example a language or management training course. Afterwards a reflective report needs to be submitted and the usefulness of the course is also discussed at the next performance appraisal. There are various possibilities for financial contribution to course and travel costs. The instrument is said to be much appreciated in Hivos.

> **Box 8: IDRC's Synergy Grants – an instrument to take advantage of opportunities**
>
> IDRC has developed a number of grant-project mechanisms, each of them addressing specific objectives. A particularly noteworthy grant is the so-called Synergy Grant. Its aim is to make use of windows of opportunities which were unanticipated and therefore not planned within the context of a project, but which help to create synergies as they arise. Such opportunities include the organisation of a workshop with relevant stakeholders, preparing an additional paper with obtained research results or participating in a conference. These grants are available on short notice in order to provide the necessary flexibility to react spontaneously to arising opportunities. procedures? volume?
>
> (Source: interview and IDRC website)

While the first two of these instruments are clearly intended to support and build capacity in the field with generally small organisations, they evidently also serve the purpose of generating knowledge for the respective institutions. This can be knowledge on specific innovative approaches as well as the identification of potential innovative partners. However, the precise use of this knowledge is not always clear and it seems challenging particularly for UNIFEM and the WB to feed the experiences gained from such experiences back into the organisation. The usefulness of competitive support for innovative approaches seems to be somewhat limited if experiences are not followed up systematically and can not be fed into the organisation. UNIFEM is currently undertaking an evaluation of the Trust Fund with the aim of better understanding the effects of the Fund and how to improve its management. Learning from instruments – not only those which directly promote innovation such as the ones listed above, but also other innovative approaches – is an important factor and should not be neglected when collecting knowledge and experiences relating to innovation.

24.   A further aspect which might be interesting to explore in more depth is the relationship between an **organisation's size and structure** and the role innovation holds. Clearly size is an important motivator to be innovative, as is not only shown in the case of UNIFEM, but is also true for IFAD. Being innovative is considered to contribute to the organisation's profile and effectiveness. Innovation, replication and scaling up are the justification of their existence ("raison d'être"). Similarly Hivos has mentioned that being the smallest of four co-funding agencies in the Netherlands had

an impact on its innovativeness. Innovative approaches and their uptake by other stakeholders are hoped to contribute to larger impact. The WB clearly holds and is aware of its different role in this respect. While smaller organisations depend somewhat on the willingness of larger stakeholders to take up their innovations, the WB can spread them to some extent simply by its size. While size therefore is related to an organisation's motivation for being innovative, the internal structure of an organisation has an influence on how knowledge is shared – an important factor for innovation (see also paragraph 14). When looking at the basic structure of an organisation, both Hivos and IDRC are clearly structured along thematic fields. Specific topics are the primary orientation for their work. Both IA and UNIFEM seem to have a mixed approach in this respect, as both specific topics as well as geographic regions are, for example, clearly present and visible on their website and in their internal structure (IA, for example has nine sections which are partially thematic such as Civil Society, Human Rights and Democratisation and partly geographical such as Eastern Europe). Similarly for the WB, even though the country based approach seems to be very dominant in this case.[29] Such structures do influence the exchange of information, as for example IDRC has said: While the exchange of information is unproblematic within the teams – and enhanced by the fact that they are multidisciplinary – there are some difficulties when it comes to the exchange between teams and transaction costs are said to be higher. IA made a similar assessment for the somewhat limiting influence of country programmes and the WB has found it somewhat difficult to work across regions. In IDRC there are some people who work in two teams who hold important roles when it comes to cross-fertilisation between teams. No clear lessons learned on advantages or disadvantages of particular organisational patterns emerge from the interviews conducted for this study, apart possibly from the realisation that knowledge sharing across different institutional units (be they thematic or geographically organised) seems to be more challenging. More generally it can be said, that the organisational structure has an impact on knowledge sharing – while being somewhat evident this has been mentioned a few times and seems worth noting at this point.

► *Internal perspectives and procedures as well as structures are not neutral but may have enabling or hindering effects on innovation. Particularly noteworthy is the frequently mentioned difficulty of sharing information across institutional boundries ("compartmentalisation").*
► *There is a variety of diverse instruments to actively promote innovation internally and with partner organisations, particularly non-specified funds are popular.*
► *While small sized agencies have a comparative advantage in view of creating a conducive environment for innovation, the organisational structure in general does have an impact on knowledge sharing.*

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[29] The relevance of a thematic orientation is also reflected in the brief overview of the consulted organisations as it is presented in table 1: While it is very easy to find Hivos', IDRC's and UNIFEM's thematic areas of work, this is not the case for the WB, which even within its "Six Strategic Themes" has an implicit geographic focus (see: http://go.worldbank.org/56O9ZVPO70).

6   Partnerships

25.   Partnerships with a diversity of partners form the cornerstone for most of the consulted agencies. Two areas which particularly profit from working in partnerships are **learning as well as scaling up and replication**. Learning is a direct source of innovation, as the example of Hivos shows. It mentioned that cooperation with other co-funding organisations in the Netherlands has been crucial for developing some of its innovative approaches to microfinance: its Seed Capital Fund has been developed together with Triodos Bank and ongoing work on social performance management has and is equally inspired by a number of other organisations.[30] Similarly the WB says that a number of its new products, which are constantly developed, emerge from interaction with its partners and feedback that the institution receives from them. Apart from working with individual organisations in partnership, IA has pointed out that networks, such as the thematic networks on poverty reduction, gender equality or governance in the Organisation for Cooperation and Development's Donor Assistance Committee (OECD's DAC), play a key role when it comes to exchanging information. What is particularly important for IA is the exchange on best practice in these networks as this helps it to improve its own work. While not being partners in the true sense, regional offices or representations have also been identified as an important source of learning (IDRC). They furthermore contribute to contextualised knowledge, a particularly necessary element for scaling up and replication. Similarly IDRC's approach of trying to include local government, NGOs and research organisations to do research collectively tries to create ownership of a research project from the beginning. The idea is that if, for example, local politicians understand what the research is about they will at a later stage also be more willing to adopt its results. Such ownership of the problem and its solution by the partners are a prerequisite for success.

26.   The **type of partners** varies and is mostly influenced by the organisation's background. UNIFEM's main partner are other UN-bodies, particularly UNDP[31], and governments. Similarly the WB's main partners are governments. For the other organisations the approach to partners is more diversified: For IA interacting with partners is a key element of its way of working, not only other governments. It has one of the largest NGO programmes among bilateral donors and is in regular contact (two meetings per year) with these organisations (see also box 9 for their specific funding mechanism for NGO partnerships). There are similar institutional partnerships with a select number of UN agencies. Its exchange with other bilateral donor mainly takes place in the context of the OECD's DAC networks. IDRC is strongly anchored in the academic sector and often cooperates with research institutions, at the same time it also makes significant contributions to NGOs as they are considered to be particularly agile and innovative. However, it is clearly understood that in some context cooperation with the government is essential and

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[30] More specifically Hivos describes the learning in this network to be organised as follows: Specific themes of interest are divided up among the partners which then focus on their topics and share any accumulated knowledge within the network. This approach allows to use available resources most efficiently as not each topic has to be followed up consistently but the work is shared among the partners.
[31] A noteworthy pending initiative between these two organisations is the planned "Innovation Institute on Gender Equality and Women's Empowerment", which aims to identify and document the process of innovation and replication (see UN 2007b for some more information).

IDRC is trying out new approaches on how to integrate policy makers into research projects. In this sense, IDRC has also taken the opportunity to bring together policy makers and researchers in a workshop which should provide answers to the question what they needed in order to better work together. Similarly Hivos is making conscious efforts to find partners "outside the so-called 'development sector', in order to realise broad and effective alliances that can address the complex and multi-faced international problems of inequality" (Hivos 2002a, p. 29). Similarly the WB tries to actively promote its approach taken in DIME with outside organisations and facilitates the exchange of experience among interested parties.

27. When establishing new partnerships the criteria and process of **selecting new partners** is a key element. It goes without saying that, particularly for Hivos and IDRC, an organisation's track record and reputation with respect to innovation is a decisive factor in this respect. Both organisations rely on their staff's knowledge of the situation and key stakeholders in a specific field for the identification of new partners. Also the word of mouth, meaning referrals from already cooperating partners, have an important role to play. For both of them it can be said, however, that while there are some criteria that influence the choice of partners (such as a certain fit into programmatic or geographic priorities or a link to the target audience), a lot of it is influenced by personal know how and experience.

Box 9: Multi-Annual Programme Schemes – Ireland's approach to NGO partnerships

Ireland is also using a programme based approach in its cooperation with NGOs. It no longer receives individual project proposals for funding, but provides programmatic funding to a number of select NGOs. With these organisations it holds regular dialogues about the organisation's strategies, policies, its partnerships with Southern organisations, etc. During these exchanges clear indicators of success are also identified. The programme has received recognition both during Ireland's Peer Review with the OCED/DAC as well as from an independent evaluation:

- "Irish Aid's Multi-Annual Programme Scheme are particularly innovative, providing multi-annual strategic programmatic support to organisations with a proven capacity to operate with clear policy guidelines. Agencies receiving funding are expected to establish strong partnerships with Southern civil society organisations. This allows the Southern partner to influence priorities and programme design and gradually take greater ownership and a more significant role in implementation. […] Through MAPS, development assistance reaches a wide range of sectors in more than 40 countries." (OECD/DAC 2009, p. 57).
- "The Multi-Annual Programme Scheme (MAPS) was an innovative concept, with a series of interlocking features, each representative of international best practice. […] The evaluation team finding is that the movement towards realisation of the key elements indicates the validity of MAPS, both as a partnership vehicle and as a strategic funding mechanism." (Development Cooperation Ireland 2005, p. 4).

(Source: interviewee and indicated documents)

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28. Apart from any processes which might enable or hinder innovation by partner organisations, it is interesting to note that also **individual leaders** have an important role to play: However, as an example of Hivos illustrates, a determined individual also benefits from support at the management level: "Each innovation needs a social carrier and it needs enough space for change. The initiator and main motor behind the programme has been Loe Schout, who as the head of the Communications Department of Hivos from the mid-1990s onwards had recognized the special potential of ICT for an organisation such as Hivos and who had proposed and

realised a whole series of applications […] which made Hivos a front runner in this field. These initiatives were strongly supported by the director of Hivos at that time, Jaap Dijkstra, who shared the vision that the specific opportunities which ICT provided would fit very well into the activities and the philosophy of Hivos (access to information as an enabling tool, individual responsibility, organisational transparency, individual accountability, individual participation in collective decision making, …) and realised that innovative applications should not wait until everybody realises the necessity of their introduction (when they would not be an innovation any longer)." (Junne, Miep 2004 p. 7). Both Hivos and IDRC acknowledge their sometimes decisive role and both of them try to accommodate processes in order to be able to also

> **Box 10: Accompanying partners to make the most of innovative approaches**
>
> Hivos and IDRC invest a lot of time in supporting, accompanying and strengthening partners. In both institutions these processes include regular contact with and visits of the partner organisations:
> - For IDRC this process is a corner stone of its work. When it comes to managing donor partnerships, there is a specific division in IDRC which manages the partnerships: People who work with the same partners are brought together in order to exchange experiences and discuss systematically how to best engage with the partner.
> - At Hivos the programme officers are the key people for their partner organisation. They are in different countries, but operate in similar fields. Each programme officers manages between 15 and 25 partners. As a rule, Hivos does not support partner for longer than 10 years. Staff are required to regularly bring in new partners – around 10% of the portfolio should be renewed. Both of these measures help to maintain diversity and openness.
>
> (Source: interviewees)

support such individuals. Innovation needs social carriers – people who believe in new ideas and lobby for them, something which has been mentioned also by the WB.

► *A decentralised approach with a strong field presence strengthens the contextual understanding of the agency and is an asset for a deliberate innovation strategy.*
►*When engaging in new partnerships, the track record in innovation of a potential partner can be taken into account as a decisive factor.*
► *Creativeness and leadership of individuals in partner organisations play a crucial role in the innovation process. This "personality connection" must not be underestimated compared to institutional factors.*

7   Scaling Up and Replication

29.   Just as there is no agreed upon definition of innovation, there is no such thing for the two terms scaling up and replication (see for example Hartmann and Linn 2008 for an elaborate discussion on defining scaling up). No explicit definitions have been used for this study, as it was assumed that a broad understanding of the terms would be shared among the involved people and a detailed discussion would have been beyond the scope of this paper. Generally, it is undisputed that **scaling up** is closely linked to innovation – or in the words of a Hivos staff member "You would also not work on a new car if you did not think further." Not all organisations consider it to be distinctly separate from innovation (see also next paragraph), rather it is agreed that there are some overlapping aspects. It has furthermore been noted by both IDRC and UNIFEM, that this relationship is a tricky one and the organisations

say of themselves, that they have not figured it out yet. Furthermore both IA and IDRC stressed that "the great leap forward" does generally not take place. Such scaling up would need sudden injections of massive resources. But they argue that development takes time and requires yearlong work. As the consulted agencies differ considerably in their approaches to innovation and scaling up and replication, they will be discussed separately in the following paragraphs, after a brief general discussion of the relationship between innovation and scaling up. Overall it has to be said, that due to fundamental differences with respect to the consulted organisations' understanding of the relationships between innovation and scaling up as well as innovation and replication, it is difficult to draw general conclusions on this issue.

30.   As mentioned in chapter 2, somewhat fundamental differences in approaches to and the understanding of innovations are also noticeable implicitly in the context of certain questions, particularly the following: "When do you consider a project/programme successful enough to start replicating/scaling up?" Answers to this question shed some light on an organisation's understanding of the **relationship between innovation and scaling up**. While for both UNIFEM and the WB it was very evident, that there is a clear difference between the two processes, Hivos and IDRC both have a more organic or holistic approach which does not make a clear distinction between the two. For them, projects are developed in a more iterative manner, meaning that there is constant interaction with the partners during the implementation of the project

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Box 11: Successfully replicated UNIFEM innovations

The "Safe Cities" programme was first implemented in three cities in Latin America. It identifies growing violence and insecurities in cities in the region as a key problem and aims at reducing any forms of public and private violence against women through strengthening active citizenship in the exercise of their rights. Furthermore, a public and social agenda which generates conditions for a free, shared coexistence should be developed. UNIFEM's main partners are civil society organisations and the respective governments. Since 2008 the programme has been expanded to other countries in the region.

Work on Gender Responsive Budgeting has been an approach introduced by UNIFEM and taken up by various other agencies. On one hand, the government of Belgium could be attracted as an additional donor, on the other hand, a partnership with the Ministry of Finance in Morocco lead to the planning of a francophone Gender Responsive Budgeting Institute in Morocco, which means that the idea of up scaling is institutionalised.

(Source: UNIFEM 2009, Universalia 2007)

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and that a potential continuation of the cooperation is addressed in this context. Scaling up is therefore not something addressed after an initial pilot phase has been finished, but is an issue which might come up before. Similar effects could be observed in reaction to the question asking for the ratio between successful and failed activities. While it is evident that in the context of a well defined project with precisely formulated expected results it is easier to assess its success or failure this might be less clear in the case of a research project or in the process of accompanying and strengthening new partners.

31.   **Hivos** – Scaling up depends on Hivos' role in a partnership. If Hivos is the sole funder of a project, scaling up is often not achieved, even when it tries to inject additional funding. Therefore, Hivos is increasingly trying to work in a programmatic approach, where scaling up is realistic. For a very long time the conviction "small is

beautiful" has guided Hivos' engagement and it is only recently that it has begun to see and learn that also big can be beautiful. Before thinking of replication and scaling up it is very important to closely analyse the first experiences and their context and identify the reasons for success. Then it should be considered how these critical factors apply to a different context. A second precondition for successful scaling up is a critical mass, which supports the process.

32. **IA** – One important principle of IA's work is to make extensive use of programme based approaches such as general budget support. While scaling up and replication are also considered to be influencing all aspects of its work, these approaches do imply a specific understanding of the processes: Being active in countries with national poverty reduction strategies, regional or sectoral approaches means being part of the system, particularly when subscribing to the aid effectiveness agenda. IA's interest in scaling up is therefore predominantly of strategical rather than practical nature. The key question is always how an experience can be integrated into or absorbed by the system. If there is no answer to this question, the experience will be of limited use, as its impact remains limited. What is needed for scaling up from IA's perspective are strategically built capacities and sequenced resources.

33. **IDRC** – For IDRC the main interest is to identify new ideas and test new approaches to identified problems. In some cases, therefore, scaling up is considered central to reach a particular goal, in others less. Generally, though the potential for scaling up is judged on the basis of research success along the way and the reactions that IDRC gets from the stakeholders. If they express interest, that is a positive indicator for success. This also means that IDRC is usually not in the lead, but rather makes suggestions and provides ideas. One important aspect of scaling up is policy dialogue, which is very important to IDRC's work (see also paragraph at the end of this chapter). Considering that IDRC is a research institution, publishing in peer journals is also an important instrument of disseminating experiences and specific approaches. Apart from scaling up as an element of an innovation process to be implemented, IDRC is also interested in understanding the scaling up process from a research perspective.

34. **UNIFEM** – When it comes to replication and up scaling UNIFEM has a very distinct position. It clearly states that pushing scaling up and replication is out of its immediate sphere of influence. More precisely, it "does not take responsibility for replication and 'upscaling'" (UN 2007b, see also box 2). However, at the same time UNIFEM is conscious of the relevance of up scaling and as the only organisation has been tracking its success in this respect: "In 2006, UNIFEM tracked 10 instances of replication and 4 of upscaling or institutionalizing initiatives, as compared with 13 and 6 in 2005, and with 17 and 11 in 2004. In 2006, replications were carried out by governments and/or the private sector (2), and UN organizations (8), while upscaling was carried out by government (1), NGOs (1) and UN organizations (2)." (Universalia 2007, p. 23). While tracking an organisation's innovation it also needs to be said – and this is done so by UNIFEM as well as Hivos – that attribution is a potentially difficult aspect. On one hand, it is often difficult to attribute particular outcomes to a specific organisation, on the other hand is also depends on the courtesy of the involved organisations to credit the respective organisation.

35. **WB** – Similar to UNIFEM, the DM of the WB does at the moment not make systematic use of scaling up potential. It has been a conscious decision to provide funding "at the spark level", leaving the anticipated incubation phase to other funders. This decision is also based on a recent review which found that it was very hard to assess and define what the supported organisations needed after their initial funding – not only from the DM's perspective, but also for the organisations themselves. From the DM's perspective, therefore, what is needed for scaling up are partners who can see beyond the current situation and who are willing to continue. Identifying successful approaches as early as possible in view of up scaling and replication are clear goals of the WB's DIME initiative. One of the integral elements of the initiative is the constant documentation, reporting and evaluation in order to identify and change processes as early as possible. Based upon its quasi-experimental design (i.e. comparing the outcomes of the programme with situations without the programme), it is possible to make clear statistic statements with respect to the success of an intervention. These numbers can be used as basis for any up scaling and replication decisions.[32]

36. Based on the above brief descriptions it can be said that the **key challenge** when it comes to moving from innovation to scaling up and replication is process management. In organic and integrative approaches practised by Hivos and IDRC scaling up is perceived to develop from previous experiences. This approach is supported by its handling of partnerships, where constant interaction and discussions play a key role (see also box 10). Through these interactions the current situation is always well known and a potential situation for scaling up or continuing a project emerges more naturally than when a project is only looked at closely after its completion. Structures can be very limiting in this respect. When it comes to the attitude of partners to scaling up, it is interesting to note that both, high enthusiasm (WB) as well as hesitant reluctance (Hivos) on the side of partners have been reported. Scaling up therefore sometimes needs to be held back until a certain basis which allows for a founded scaling up decision is available, while in other cases it needs to be pushed and people have to be convinced that enough information is already available.

37. One last point which is key to scaling up and replication but which has proven somewhat hard to investigate in this study is the aspect of **policy dialogue**. Hivos said on one hand, as

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> **Box 12: Discussing service delivery in Tanzania – an example of successful policy dialogue**
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> The issue of service delivery, particularly its quality, has long been on the political agenda in Tanzania. In cooperation with the government, Irish Aid elaborated a joint study which looked at the issue, analysed the situation, defined the problem and propose short as well as medium term actions. All of this was presented to the joint donor forum and then discussed. An interesting effect of this approach was that on both sides, namely the government's and the donors', there were people who were in favour and others who were against some of the proposals. This was an interesting experience, particularly as coordination mechanisms in the context of aid effectiveness are very often about coordination donor positions. But it is important that the government is on board from the beginning.
>
> (Source: interviewee)

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[32] Such a structured approach would also be the only opportunity to systematically assess the cost effectiveness of innovations, as it really permits to have an explicit comparison of two situations which could also be analysed with respect to costs. In all other cases this is something which is very hard do assess.

governments are not its key partners, that policy dialogue per se is not central to its work. But it has also made the experience, for example with the Biodiversity Fund, that linking to the policy level is a key factor for scaling up. On the other hand, the use and relevance of policy dialogue also depends on the specific area, for example in the field of microfinance many innovations were taking place even before there were specific policies. IDRC recognises that policy dialogue is often a key element in scaling up. But it also considers it something very difficult to manage, as it is often a "hit and miss situation" which depends on specific constellations. In its Rural Poverty Programme, some 10% (of 130 projects) have a significant policy impact, and at least 75% have some intentions with respect to policy dialogue. In this respect, IDRC is trying out new approaches, such as integrating the relevant people into the research project from the beginning in order to build ownership with them. This way, they understand the entire context and can contribute to the process. For UNIFEM policy dialogue evidently does not relate to scaling up and replication, but it considers it a key instrument for the transferral of knowledge and shaping changes at the policy level, particularly because UNIFEM is also trying to implement policy level commitments. One initiative to be mentioned in this context is the Global Innovation Policy Dialogue initiated by the WB[33]. With its focus on national innovation policy it provides another perspective of the issue, which again does not relate directly to scaling up and replication. Furthermore, it is unclear to what extent the planned activities have taken place. But it is evident that, for example with its Learning Events or its publications, the WB is a key stakeholder to influence policy dialogue at a very general level.

► *Two different approaches of scaling up are practiced, each with its own merits: (1) piloting und scaling up on firm ground of consolidated experience; (2) experimental start with continuous expansion.*
► *Continuous monitoring of pilot approaches is a key for scaling up. Results and feedback from the ground form the starting point for any scaling up processes.*
► *Ownership of innovations by partners strongly influences adoption, replication and up scaling. Ownership is the result of an inclusive innovation process.*

8 Risks and Mitigation

38. There is no free lunch. Risks are something which is very clearly associated with innovation and the issue was often brought up in the interviews before it was explicitly introduced. All, Hivos, IA, IDRC, UNIFEM and the WB see themselves to be risk takers and/or early movers. Particularly Hivos and IDRC mention that they also support risky partnerships. When looking more specifically at the organisations' **attitudes**, however, there are some differences in how risks and associated failures are perceived. For IA the potential benefit has to be clearly visible: if there are potentially important results, it is ready to also engage in risky engagements. But the risks need to be declared openly: "An awareness of risks implies their management. Someone who is not aware of potential risks cannot manage them either." IDRC again somewhat stands out with its focus on research. Research is seen as risk taking and working in an open manner and as long as some learning is taking place,

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[33] See http://www.insme.info/documenti/Global_Innovation_Policy_Dialogue.pdf, http://go.worldbank.org/OUDFSO4N10 and http://go.worldbank.org/CKJ3C3HLN0.

research can be considered successful: "Failure that is properly documented as a learning tool is not failure. As long as one can see that there is some learning, there is no failure." Similarly Hivos has accepted failure to be "part of the trade. If you fund ten projects, maybe two go wrong." While Hivos also stresses that in principle it is important to learn from failures, it also admits that this process could be improved within the organisation. For neither UNIFEM nor the WB similar explicit assessments of failures and their potential for learning have been made during the interviews.

39.   Failure is very often about not achieving the planned **results**. This poses the question of what the relationship between innovation and results looks like. There is broad agreement among all of the consulted organisations that results are important and that innovation needs to be linked to results. However, it is also stressed that there are various ways to understand the term results: If results are merely understood as targets to be met then innovation and results do not go together very well. Or in the words of Hivos: "Constant shouting for results and indicators means that more time is spent on administration. And staff time can only be used once." This attitude can be attributed to the understanding of innovation as a time consuming process, whereas results are usually expected within a short time (see also next paragraph). However, if results are understood more broadly, in the context of an entire chain of results, thinking about them can help to promote innovation. Or in the words of IA: "What is needed is lateral thinking, looking at all results in the chain and what contributes to higher level impact – not just looking at the impact." It is interesting to note that Hivos, IDRC and the WB/DM have a broadly similar general notion of the expected rates of success: IDRC advices to only focus around 25% of a programme's outcome on results. And Hivos considers its work a success if around a third of it effectively contributed to the established objective (another third should have the potential to do so and failures should be limited to the remaining third). And for projects supported by the DM it is estimated that around 20% flourish after they have received DM grants and around 40%

> **Box 13: Management by milestones, one of IDRC's risk management methods**
>
> IDRC adapts its risk management to the requirements of a project and uses an approach called management by milestones. Comparing two specific experiences made by IDRC with this instrument shows, that there is no guarantee for the success of a particular instrument, even in similar situations:
> IDRC is sometimes faced with situations where it wants to support groups with no or limited organisational structure, for example when organisations are just being established. In one such case where IDRC supported research in Bolivia, the support could first be channelled through an international centre with which the researcher was loosely associated and in a second phase through an NGO which also ensured capacity building for the emerging organisation. In a third phase funds could then be channelled through the organisation which has been established during the previous two phases. Management by milestones in this case was quite resource intensive as it included regular visits (twice per year during the first two phases but with less frequent reporting in the second phase). The same approach of management by milestones did not work out in a very similar situation in Ecuador, where also a newly started organisation was too fragile to be supported directly. It became clear quite early in the process that this would be the case. The milestones allowed for an early intervention and moderate success. Reasons for failure included administrative and financial difficulties within the partner organisation.
>
> (Source: interviewees)

continue at the same level.[34] Two other important points should be mentioned when discussing results: (1) Formulating clear objectives and expected results helps to know what an organisation is doing and it helps to clarify systematic thinking. (2) Systematic observation of the processes – in both the sense of constant interaction with implementing partners as described in box 10 or in a systematic monitoring process as described for DIME – can reduce potential failures or weaken negative impact. Also information gained from constant engagement is the basis for continuous adjustments of an intervention Furthermore the understanding and insights gained from both these activities again helps to develop innovation, as innovation is highly dependent on specific knowledge and a precise understanding of the context. But this requires constant work from an organisation as well as its partners.

40.   The latter point in the previous paragraph points to the main **instrument** with which risks are mitigated in the consulted organisations. Both IDRC and Hivos stress the constant interaction and observation to be key elements in the mitigation of risks and they argue that balancing out high and low risk partnerships is one possibility of not taking too much risk. For both organisations established partnerships where it is more easily possible to know what kind of results to expect form some kind of security. IDRC also spends a lot of time preparing research proposals (between 12 and 18 months). A lot of this time is spent in the field trying to assess the context and identifying suitable approaches as well as the readiness of the various stakeholders, for example the policy makers involved. Neither Hivos nor IDRC currently have a deliberate risk management strategy in place, they consider to balance and mitigate their risks with the methods used (see also box 13). However, IDRC is in the process of formalising its risk management. UNIFEM is in a similar position in the sense that risk management is key objective of the current strategic plan. It is finalising a risk assessment model of which securing multi-year financing is a corner stone. And as mentioned above, the WB's DIME initiative is using its close impact assessment to reduce risks. An additional perspective has been brought up by IA due to its focus on programmatic approaches: Providing aid in cooperation with others always means that others assess the same situation and that in some sense risks are shared in this context. Risks are therefore often contextualised at the country level. At this level IA includes a risk analysis and a corresponding risk management strategy in all country programmes.

41.   An important aspect of risk management is **accountability** towards various stakeholders. All agencies have various constituencies towards which they have to answer. This is often done with different, tailored reports or other specific communication (IA, IDRC, UNIFEM). IDRC, for example, uses pictures of some of its staff with very specific captions in the form of short sentences or questions, which bring its work to the point and present it from the perspective of a Canadian audience. Furthermore, IDRC is also aware of the fact that by addressing certain issues a reputational risk may be involved for some of its audiences. This is addressed by consciously thinking about it in the preparation of new proposals and how arguments can be made for specific constituencies. Similarly IA stresses that an awareness of potential risks is a decisive elements and important for tailored

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[34] It is worth mentioning that the DM considers a 20% success rate to be "not bad" for a grant, while Hivos, with the grants provided in its Seed Capital Fund speaks of a success rate of 75% of organisations which become successful microfinance institutions after the initial grants.

communication. Time is a key factor in the process of being accountable towards different constituencies: Innovations take time, they generally do not happen overnight. This fact presents a particular challenge which is enhanced by the fact that the longer the process takes, the more difficult it can be to make specific attributions. With both Hivos and IDRC there is an awareness that successes can sometimes be difficult to be attributed to their input. They therefore stress that it is also important to actively and transparently communicate the capacities of the organisation itself, namely that it is constantly learning and improving – or – in the case of IDRC – that it supports a variety of opinions. IDRC is standing for and supporting diversity, an aspect which also needs to be communicated clearly.

► *Weaknesses and failures are considered as learning ground, based on the corporate culture.*
► *Recognising potential failures in an early stage can be crucial for risk mitigation. A precondition for this recognition is constant interaction with relevant stakeholders.*
► *Innovation means running higher risks and requires solid mechanisms of accountability to all stakeholders by the development agencies – risks need to be addressed, rather than avoided.*

9 Conclusions

9.1 Positioning IFAD

42. Based on the points discussed so far, particularly an institution's understanding of innovation, its strategic handling of the issue and its internal culture a rough typology of the relationship between the institution and innovation can be developed. It is presented in the following illustration:
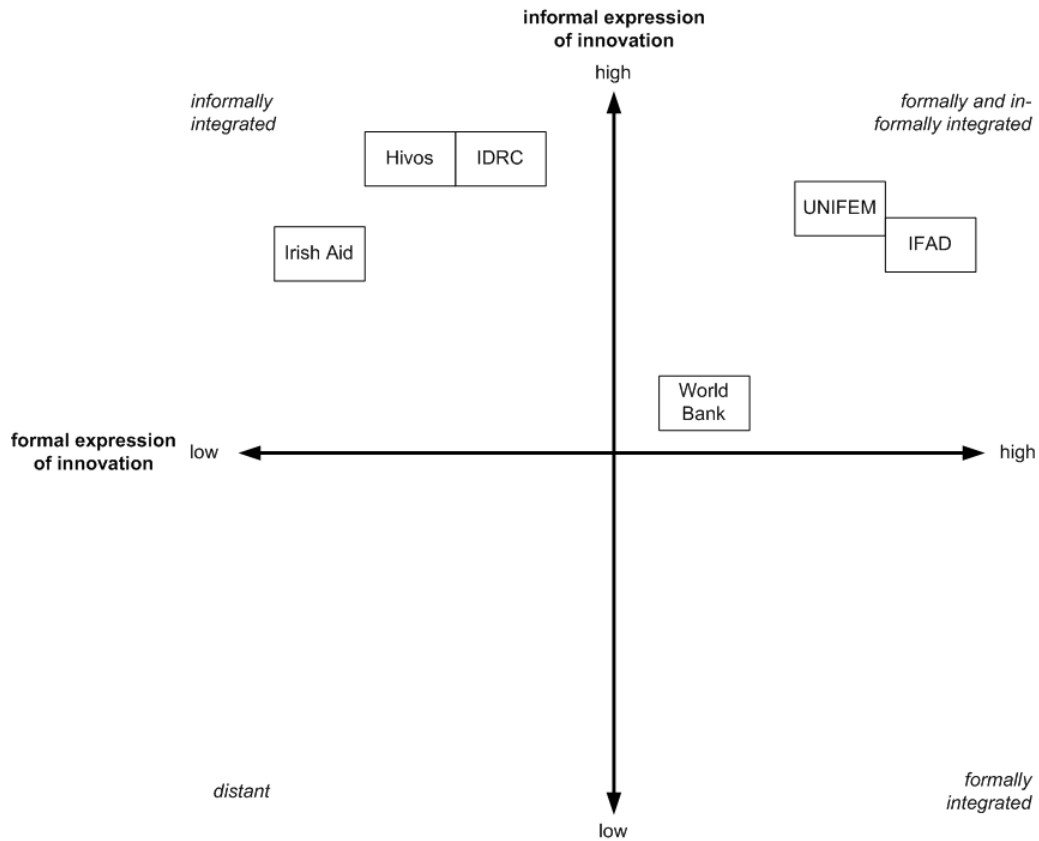
Figure 1: A typology of the integration of innovation into an organisation

43. This graph presents only a very basic approach by differentiating formal/explicit characteristics and informal/implicit elements, but without going into detail of what is entailed in these two dimensions. Table 2 below displays some points which were taken into consideration for the assessment presented above, but this list is certainly not exhaustive. However, a more in-depth analysis would enable a more substantiated model which could, for example, list specific indicators and their more differentiated assessment (for example when an organisation's attitude towards failure is listed as an indicator it would need to be discussed, how this can be assessed). It could also contribute to a more adequate naming of the four types (distant; formally; informally as well as formally and informally integrated approaches to innovation) which is currently somewhat evident. Such reflection on what constitute formal and informal elements of an organisation's approach to innovation and how they could be assessed with respect to their effect on innovation might help to stimulate an internal discussion and a shared understanding within the organisation.

Table 2: Possible indicators for formal and informal aspects of innovation

		Hivos	IA	IDRC	IFAD	UNIFEM	WB
Formal aspects	*Explicit definition*	no	no	no	yes	yes[35]	no[36]
	Availability of innovation strategy	no	no	no	yes	no	no[37]
	Systematic integration into key documents	yes	no	yes	yes	yes	(no)
	Consciously initiated approach to innovation	no	no	no	yes	yes	yes
Informal aspects	*Element of identity*	yes	yes	yes	yes	yes	(no)
	Innovation culture	yes	yes	yes	(yes)	yes	n/a[38]
	Favourable procedures (flat hierarchy, decentralisation etc.)	yes	yes	yes	(no)	(no)	(no)

(brackets) indicate authors' judgement

9.2 Issues for further consideration by IFAD

44. Based on the analysis and the rough comparative assessment, a number of steps are listed for further consideration by IFAD. Each of the following specific points relates directly to the concluding remarks made at the end of each of the previous chapters. Part of these may feed into the upcoming field part of the corporate level evaluation on innovation:

45. Understanding Innovation
Innovation is difficult to grasp and not many organisations working with it have an explicit definition of it. However, an explicit definition is not the only way to promote a shared understanding of innovation within an institution, the following considerations might help to promote such an understanding within IFAD:
► Examine and make explicit the prerequisites IFAD considers necessary for innovation to take place.
► Assess IFAD's reputation as an innovator in the field by asking relevant questions to partners and other stakeholders in the upcoming field visits of the evaluation.
► In order to exchange experiences, it might be interesting for IFAD to establish a learning partnership with other agencies practicing a conscious and strategic approach on innovation promotion.

46. Strategic Orientation
A systematic and strategic approach plays an important role in an organisation's promotion of innovation. In order to strengthen IFAD's internal innovation capacities, the following should be considered:

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[35] This refers to UNIFEM's working definition of catalytical as it is described in its strategic plan on p. 7f.
[36] Not at corporate level
[37] In elaboration
[38] Not applicable at corporate level, very diverse departments

► Systematically review IFAD's rules and regulations how they hinder or support innovation.
► Make best use of the planned innovation network within IFAD in order to share knowledge across the institution and particularly across institutional units as an important element of a culture of innovation.
► Pay particular attention to issues relating to human resource, including mainstreaming innovation in staff selection procedures, training opportunities, duty sheets, time allocation, incentive patterns and career planning.

47.   Process and Implementation

Supporting measures for the innovation process are very much influenced by the underlying approaches to innovation. However, at a general level the following points should be taking into consideration when trying to strengthen innovation processes:
► Feed the innovation process, particularly the scouting of ideas, with adequate resources in terms of staff time and funding. Particularly ensure support from management at all levels to encourage risk taking by staff and partners.
► Continue and improve to combine tailor-made grants and loans to mitigate higher costs and risks for partners when developing and adopting innovations.
► Ensure constant feedback from the ground on innovation processes in order to understand the changes taking place and assess their effectiveness.

48.   Institutional Dimension
An organisation's institutional background, its mission as well as its understanding of key concepts plays a decisive role for a climate conducive to evaluation. In addition to making some of these explicit, the use of specific instruments can further enhance innovation:
►IFAD's internal procedures as well as staff's attitudes should be analysed with respect to their enabling or hindering effects on innovation in order to shape a conducive environment to stimulate the creativity of staff.
► The comparative advantage of a small sized agency like IFAD in terms of innovation should systematically be developed, particularly the understanding of how knowledge is shared between its different departments.
► A more systematic evaluation of found instruments might help IFAD to adopt the most suitable ones. When using particular instruments to identify and promote innovative approaches, ensure that these experiences find a wider audience within and beyond IFAD. Pay particular attention to making good use of knowledge to be gained from innovation competitions, such as the planned annual innovation competition.

49.   Partnerships
Development cooperation cannot be thought of without partnerships with a diverse array of institutions and networks. They play a crucial role for many aspects of innovation, the following considerations highlight some of them:
► Strengthen IFAD's field presence in view of an enhanced understanding of the local context and a shared understanding of innovation with partners.

► When engaging in new partnerships, take the track record of potential partners in innovation into account as a decisive factor, even if it involves a shift from government to private partners.
► Give credit to creative individuals and leaders in partner organisations who play a crucial role in the innovation process.

50.   Scaling Up and Replication

Having a large scale impact is an implicit or explicit goal of most cooperation agencies – at the same time this is a challenge that has not yet been resolved in a satisfactory manner by most. The following specific points may be helpful in furthering the understanding of these complex processes:
► Promote ownership by partners in view of adoption, replication and scaling up of innovations by practicing an inclusive innovation process.
► Take results and feedback from the ground as the starting point for any scaling up process, based on continuous monitoring of pilot approaches, and feed into higher level policy dialogue.
► Take care of the contextual relevance for innovation when shaping IFAD's relationships with partners, including consideration of programme funding.

51.   Risks and Mitigation

Innovation and risk are inextricably linked, accordingly they should also be addressed in the same deliberate and systematic manner. The following points can contribute to that:
► Consider weaknesses and failures as learning opportunities, anchor this view in IFAD's corporate culture and define processes to extract the relevant lessons for the future.
► Make change process visible and understandable through constant interaction with relevant stakeholders.
► Review IFAD's mechanisms of accountability to all stakeholders whether they are adequate in view of the higher risks run by the innovation exposure. Analyse potential risks particularly in view of differing interests among stakeholders.

10   Annexes

10.1   Key questions

The following questions served as guidance for the screening of documents and when interviewing staff members of the respective organisations.

Thematic area	*Key questions*
Definition	- How is innovation understood in your organisation? → Do you think that this understanding is shared by most employees – why (not)? → Was there an elaboration process for a shared understanding of the term? - From your perspective, what are (internal) prerequisites for successful innovation? - From your perspective, what are suitable indicators for innovative organisations (in international cooperation)? What should the innovative performance of an organisation in this field look like?
Strategic issues	- How does innovation link to your organisation's mission and its values? Do you have an explicit innovation and/or knowledge management strategy? - Is innovation addressed in a strategic manner in your organisation? → How does knowledge management relate to innovation? → How do human resource policies (particularly staff selection and capacity building) relate to innovation? → How do country strategies, programme development, project selection and evaluation incorporate/deal with innovation? → How are innovation, replication and scaling up linked together? - Are the strategic elements discussed above (particularly knowledge management and human resource) linked to adequate resources in order to support the promotion of innovation? - Have there been any changes in your organisation's approach to innovation? What have been causes for significant developments (e.g. introduction of ICT, change in management)? Please describe.
Institutional issues	- Is innovation a central part of the organisation's identity? → Why (not)? → How is this expressed? → Are new employees trained in this respect? - Do you practice an internal culture for innovation and provide space for it? In what way? - How do your organisation's structures and processes support/encourage respectively restrict innovation? (e.g. levels of (de)centralisation/delegation of responsibility/field presence; (in)formal flow of information; valuing different types of knowledge, institutionalised innovation sharing, etc.) → Does the project/programme design and cycle provide space for time and resource consuming innovation processes? - What are incentives within your organisation (incl. human resource management) which encourage innovation, replication and scaling up? - Are there specific instruments to promote innovations?

Thematic area	Key questions
	→ For which phase/aspect of innovation are they intended (is there a sequencing of instruments)?
Innovation process	- How is the innovation process understood in your organisation? Is there an agreed upon/shared model of innovation? Does it include replication and scaling up? - In your experience, what factors determine the performance in innovation promotion? - How are resources allocated with respect to different innovation phases? → Any figures for past and future allocations for innovation? - In what way are ICTs relevant for your processes of innovation, replication and scaling up? - How closely are "the users"/beneficiaries involved in innovation processes?
Partnership	- How does your organisation learn from others? - What role do your partnerships play in replicating and scaling up innovations? Does this issue influence the choice of partners (government vs. NGOs)? - How are replication and scaling up dealt with in your partnerships? - Do you use any specific instruments to promote adoption? - What role does the policy dialogue you are engaged in play in promoting innovations? Any scaling up experiences?
Implementation	- When do you consider a project/programme successful enough to start replicating/up scaling? - How do you identify potential areas for replication/scaling up? What role do partnerships play in this respect? - How relevant is the availability of different financial instruments (grants, loans, mixed) to promote innovation, replication, scaling up? - How would you describe the impact of innovation on effectiveness and efficiency of your organisation (and its partners)? - How do you deal with varying contexts and varying external factors which are out of control for your organisation?
Risks and mitigation	- In your organisation, what is the general attitude towards risks and failures? Is your organisation a risk taker and early mover? - Do you have a deliberate risk management (strategy)? If yes, how does it work, what are key elements? - In your experience, is there a tension between the focus on results and focus on innovation (proven solutions vs. risk taking)? - How do you manage accountability towards different stakeholders? - Looking at your organisation's activities overall, how do you assess the ratio between successful and failed activities?
Good practices	- When it comes to promoting innovation as an organisation: What works? What doesn't? - What were the most significant innovations that you developed to accomplish your goals? In these processes, what were the greatest challenges you faced and how did you overcome them? What were your greatest lessons learned?
Stories	- Do you have any illustrative stories of success and failure of innovation? - Can you give us an example of a successfully replicated (and/or scaled up) project or programme and identify the reasons for its success?

10.2 Interview partners

Organisation	Name	Title
Hivos	Willy Douma	Programme Officer Sustainable Economic Development
	Jappe Kok	Head Audit and Evaluation
	Paul Maasen	Programme Manager ICT and Media
	Leo Soldaat	Programme Manager Financial Services and Enterprise Development
IA	Fionnuala Gilsenan	Head of Civil Society Section and member of the Senior Management Group
	Earnán Ó Cléirigh	Senior Development Specialist, Policy, Planning and Effectiveness Unit
IDRC	Lisa Burley	Senior Manager Risk Management and Internal Audit
	Naser Faruqui	Director of the Innovation, policy and Science Program
	Merle Douglas Faminow	Program Leader Rural Poverty and Environment
	Jean Lebel	Director of Environment and Natural Resource Program
UNIFEM	Jennifer Cooper	Programme Communications Specialist
WB	Arianna Legovini	Head Development Impact Evaluation Initiative
	Randi Ryterman	Acting Director, Public Sector Governance

10.3 Bibliography

Some of the following literature is only cited in annexes 10.4 – 10.7 which constitute a separate document.

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