

# ARRI 2007 ISSUES NOTE: INNOVATION

## 1. INTRODUCTION

Innovation has become an increasingly important characteristic for IFAD in recent years. This has two origins. First, evaluation findings which suggested that IFAD was less innovative than it aspired to be. And second, a stronger view that innovation was a key component of IFAD's comparative advantage. This is reflected in IFAD's 2007-2010 Strategic Framework, and in the Action Plan for Improving Its Development Effectiveness. An Innovation Strategy is due to be presented to the Board in September 2007.

Given this background, and the aim to make the ARRI a more learning-based document for IFAD, the 2007 ARRI will devote a short thematic chapter to the issue of innovation. The emphasis will be on identifying the factors affecting innovation based on evaluations to date, and what this means for designing and implementing innovative interventions in the future.

This short note identifies some of the issues that the ARRI chapter has identified as potentially important, and will be used as a basis for discussion with IFAD staff before the chapter is finalised.

## 2. DEFINITION AND MEASUREMENT

Innovation is an extremely broad concept that can be defined in many ways. The Initiative for Mainstreaming Innovation (IMI) defines innovation as '*a process that adds value or solves a problem in new ways*'. In common with most of the classic definitions of innovation, the key word is new. A process or product can only be said to be innovative if it is new and different and useful.

But one issue with innovation as an attribute is that so many different things can be innovative. Introducing a new technology is innovative. Developing a new approach to extension is innovative. Managing a project in a new way is innovative. Almost all IFAD-supported projects will be a mix of traditional and innovative elements.

Another issue is that what is innovative at one geographical scale may not be innovative at a larger scale. For example, something can be new and different in that location; new and different in that country; new and different in the region; or new and different globally. Introducing a tried and tested approach in a new area is still innovative.

A further issue is that most innovations are incremental rather than radical. Incremental innovation generally involves minor improvements with little risk. Radical innovation involves much greater change and considerable risk. Assessing which is which, and to what extent, is a matter of judgement. Most

IFAD-promoted innovations involve incremental improvements to an approach or strategy.<sup>1</sup>

The huge range of products and processes that can be said to be 'innovative' at some geographical scale, and the absence of objective measures for the degree of innovation, has led some to question the value of the term. If almost anything can be interpreted as 'innovative' in some way at some level, the operational value of 'innovation' as a desirable attribute may be limited.

The evaluation of innovation within IFAD has also been made more difficult by the tendency to group innovation with replication, up-scaling, learning and knowledge management. All five could or should be linked, but they are not necessarily linked, and they mean very different things. That said, linking innovation with replication is sensible. The final test of an innovation is whether it is replicated elsewhere by government, donors or other partners. This explains the correct focus on 'replicable innovation' rather than just innovation.

The Action Plan for Improving Development Effectiveness does have a separate target for innovation: it aims 'to raise the innovation rating at the national level' above the 25% of IFAD-supported projects rated as innovative by the IEE (2005).

### **3. EVALUATION FINDINGS**

Three types of IFAD evaluation contain findings on innovation: independent project and country evaluations as summarised in the ARRI; occasional evaluations such as the IEE (2005) and the Evaluation IFAD's Capacity as a Promoter of Replicable Innovation (2002); and self-evaluation as summarised in the annual Portfolio Performance Reports.

Successive ARRI's have reported a mixed success record. Except in 2005, when 77% of projects were rated as 'substantial', just over half of projects were rated as 'moderately successful' or better over the 2002-2005<sup>2</sup> period for innovation, replicability and upscaling. Separate ratings for innovation or potentially replicable innovation are not available. Each year saw a mix of innovative and less innovative projects; of innovative and conventional project components; and of successful and less successful innovation. There were few instances of actual replication and scaling up.

The External Review of the Results and Impact of IFAD Operations (2002) found 'many instances in which IFAD had taken a commendable lead in devising new approaches', but less evidence of replication.

---

<sup>1</sup> Evaluation of IFAD's Capacity as a Promoter of Replicable Innovations (2002).

<sup>2</sup> This was done by collapsing the six-point rating scale used for evaluations in 2005 onto a four point scale to facilitate a comparison with the cohort of projects evaluation between 2002-4. The 77% of projects rated substantial includes a large proportion of projects rated moderately successful on a six-point scale.

The IEE was more critical. In 2005, the IEE saw IFAD as 'having aspirations to be an innovator [but] evidence suggests otherwise'. The IEE sample of operations indicated that 'while there are a few highly innovative projects (as well as others that contain innovative elements), many are not. Despite a few highly innovative projects, plus others which contained and promoted innovative elements, IFAD did not contribute to the creation, promotion, replication and lesson learning of innovation in any systematic way. 55 per cent of the project sample was categorised as innovative at the local level, and 25 per cent were considered innovative at the national level.

Until 2004, innovation as either a cross-cutting issue, or a separate thematic or strategic area for consideration, is scarcely addressed within Portfolio Performance Reports (PPRs). From 2004, however, with the advent of the IMI, innovation starts to feature more explicitly as an area for performance assessment. The 2005 PPR found that, overall, IFAD-assisted programmes and projects possessed 'a substantial degree of innovative elements and they have been replicated to a fair extent'. It noted that there was evidence of innovative ideas being replicated either by other donors or by governments. A review of Project Completion Reports in the 2006 PPR found that innovation was satisfactory in about two-thirds of cases.

#### **4. LESSONS FROM EVALUATION**

The previous section has summarised what evaluations have found. This section summarises the lessons contained in these evaluations that explain this performance. Specifically, what explains innovation performance at the project level, and what explains why IFAD is not more innovative?

##### **Innovation performance at the project level**

Many of the factors which make for successful innovation are the same as those which are associated with successful pro-poor initiatives more generally. For example, innovations that address a need widely shared by the poor; have been well-tested and piloted; are affordable and relatively simple to adopt; are based on existing or traditional knowledge, technologies, practice, cultural and social norms; have clear and rapidly visible advantages; and are easily reversible if they do not work.

At a more general level, the IFAD evaluation literature suggests that successful innovation is associated with:

- an explicit innovation objective;
- a structured innovation process, with clear sequential steps;
- flexible project designs, with frequent adjustments during implementation;
- longer project timescales
- a genuine commitment to innovation on the part of IFAD, project and cooperating institution staff, and systematic IFAD follow-up;

- a supportive policy environment and effective local partners;
- IFAD presence at country level.

Replicating and scaling up innovations requires much the same. This needs to be an explicit objective, and supported by policy dialogue and partnerships in order to scale interventions up to meso- and macro level.

## **IFAD and innovation**

Previous evaluations have also identified some of the factors that constrain innovation within IFAD, and its role as a promoter of replicable innovation. These pointed to the need for:

- An institutional culture biased towards, rather than against, innovation, with competencies and incentives to match
- a clear definition of, and conceptual framework for, innovation
- explicit objectives relating to innovation (as well as replication and scaling up) in all projects and programmes supported by IFAD
- the better analysis and treatment of risk
- an in-country presence
- attention to innovation during supervision and implementation support
- better knowledge management on experience and lessons learned from IFAD and other programmes
- Wider partnership with institutions at the country level, for example, those with the required resources and capability of upscaling/replicating successful innovations.

Many of these factors have been, or are in the process of being, addressed. This is evident from the Initiative for Mainstreaming Innovation, the Action Plan for Improving Development Effectiveness, the 2007-2010 Strategic Framework, and the Field Presence Pilot Programme.

## **5. ISSUES FOR DISCUSSION**

This paper suggests three general questions for discussion:

1. Is the basic analysis of the challenge of innovation right? What specific challenges/implications does it generate for IFAD?
2. Are the evaluation lessons the right ones? Are there others?
3. If IFAD does need to be more innovative in what it does, is it changing enough? What else might need to be done and by whom?

The following specific questions were generated by an initial round of consultation within IFAD and might also be worth discussing:

4. **Are the multiple meanings of the term ‘innovation’ – particularly when so commonly lumped together with replication, upscaling and knowledge management – a hindrance to effective action?** If it cannot be unambiguously defined and measured, can it be managed?
5. **Is there a clear and strong link between IFAD’s innovation performance and its impact on poverty?** Innovation is a means to an end, not an end in itself.
6. **Is innovation and risk strongly correlated?** If so, is there a need for a more explicit treatment of risk in project cycle management, including an allowance for risk in project ratings? Would it be more sensible to aim for a mixed portfolio of risk and innovation, rather than for every project to be innovative?
7. **Do internal incentives and management messages encourage innovation?** For example, does IFAD have the risk tolerance and culture to encourage innovation? Does the greater stress on project performance scores and performance-based allocations discourage riskier projects? Given the limited staff resources available, is there a tension between delivering a large pipeline of successful projects and being innovative? Do mixed messages encourage apparent rather than real innovation?
8. **Is the loan instrument conducive to innovation and risk-taking?** Do borrower governments want IFAD to be innovative, or do some just want proven solutions replicated in marginal areas? In other words, does innovation demand match what IFAD wants to supply, and how it wants to supply it?
9. **Is the strength of IFAD’s partners, and their commitment to innovation and calculated risk, the key success factor?**