

➔ **A Return on Investment  
and Value for Money  
Assessment Methodology  
for the Humanitarian  
Innovation Ecosystem**



# ABOUT ELRHA

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We are Elrha. A global organisation that finds solutions to complex humanitarian problems through research and innovation.

We are an established actor in the humanitarian community, working in partnership with humanitarian organisations, researchers, innovators and the private sector to tackle some of the most difficult challenges facing people all over the world.

We equip humanitarian responders with knowledge of what works, so that people affected by crises get the right help when they need it most. We have supported more than 200 world-class research studies and innovation projects, championing new ideas and different approaches to evidence what works in humanitarian response. Elrha has two successful humanitarian programmes: Research for Health in Humanitarian Crises (R2HC) and the Humanitarian Innovation Fund (HIF).

## **About the Global Prioritisation Exercise (GPE) for Humanitarian Research and Innovation**

The GPE aims to improve outcomes for people affected by crisis by amplifying the impact of investments in research and innovation through understanding the priorities at all levels. It will provide an overview of the progress and performance of the humanitarian research and innovation ecosystem with a clear set of priorities for research and innovation funding and attention.



The R2HC aims to improve health outcomes for people affected by humanitarian crises by strengthening the evidence base for public health interventions. Our globally-recognised research programme focuses on maximising the potential for public health research to bring about positive change and transform the effectiveness of humanitarian response.



The HIF aims to improve outcomes for people affected by humanitarian crises by identifying, nurturing and sharing more effective and scalable solutions. The HIF is our globally-recognised programme leading on the development and testing of innovation in the humanitarian system. Established in 2011, it was the first of its kind: an independent, grant-making programme open to the entire humanitarian community.

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Ministry of Foreign Affairs

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# 1. Overview

# 1. OVERVIEW

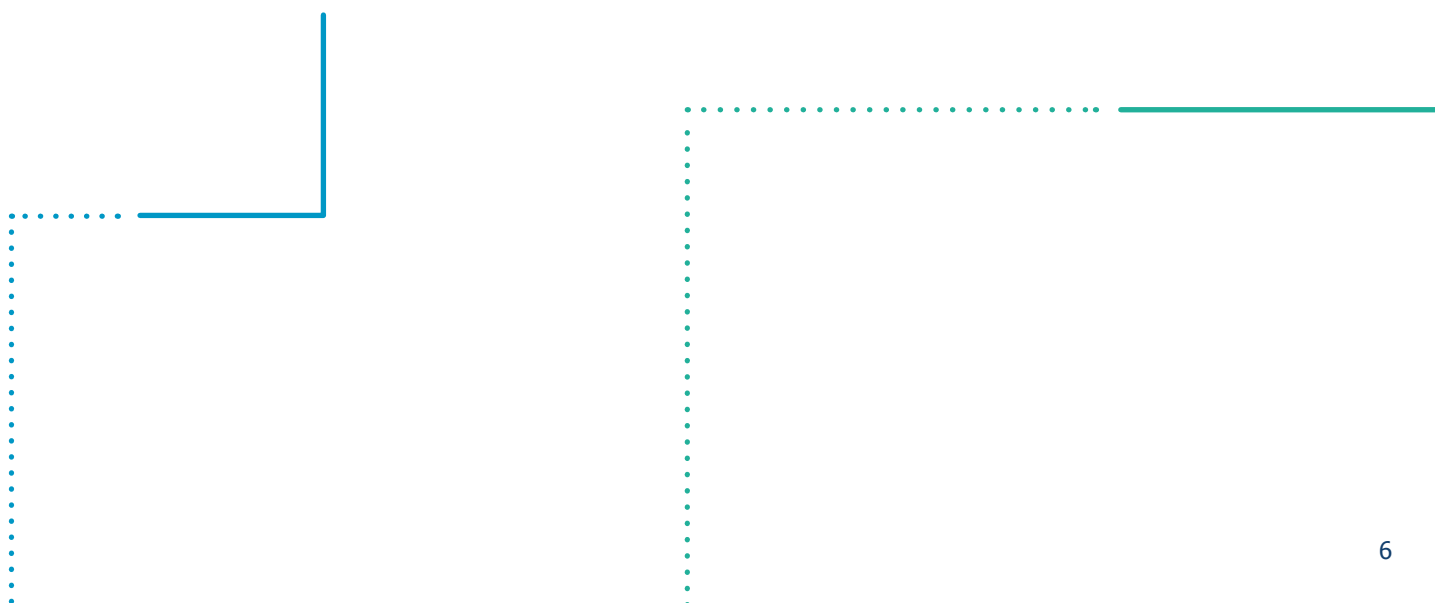
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There is a growing focus on innovation within the humanitarian system.<sup>1</sup>

Rising needs and stretched resources increasingly mean that funders, implementers and researchers want to be able to demonstrate that innovation investments are bringing about high returns. However, the practicalities of the humanitarian system (notably volatile contexts and short timeframes) make calculations of the return on investment (ROI) and judgements on value for money (VFM) complex. The difficulty of estimating ROI is further compounded for innovation work, where scaling and impact may take place well after the period of investment. Having a simple way of assessing ROI, and increasing alignment on what is meant by ROI and VFM in this context, can help to better estimate and demonstrate the benefits of innovation investments.

This report outlines a set of indicators to support such assessments of ROI and VFM for innovation-focused investments. These indicators were developed following a desk review and interviews with key stakeholders, in which we explored their current approaches.

This report is structured as follows: in Section 2, key terms and scope are defined. In Section 3, the methodology of the project is summarised, including detailing the processes for both the literature review and the key informant interviews. Section 4 presents the learnings of the literature review and the key informant interviews. In Section 5, these learnings are collated into a proposed aligned approach, in terms of both a proposed set of indicators, and how these can contribute to assessment of portfolio-level ROI. Section 6 details some limitations of this work. Section 7 concludes and summarises the key learnings and recommendations. Appendix A provides significant further details on the proposed indicators.





2.

# Defining the key terms and scope



## 2. DEFINING THE KEY TERMS AND SCOPE

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### 2.1. Key terms

One challenge in discussing the ROI of humanitarian innovation is the lack of alignment in how key terms are used by different actors. This was noticeable during the key informant interviews. Even when defining 'innovation', some discussed this more technically in terms of products and processes, while others viewed it more as part of reform for the wider humanitarian sector and defined by the disruptive nature of innovations.

#### Innovation terminology

For **innovation**, we align with the definition used elsewhere during the GPE for Humanitarian Research and Innovation, as well as a number of the actors interviewed. So innovation is defined as: "an iterative process that identifies, adjusts and diffuses ideas for improving humanitarian action".<sup>2</sup> This definition also categorises four broad types of innovation using the 4-Ps model (Product, Process, Position, Paradigm). The definition also helps to encapsulate the breadth of uses by the different actors as mentioned above.

For the different phases of innovation, from initial ideas to large-scale implementation, we refer to this as the innovation **pipeline**. One paper from the literature was particularly useful in framing the discussions. This was a cross-institution look at aligning the measurement of innovation impact<sup>3</sup> from the International Development Innovation Alliance (IDIA). While this looked at innovation within development, many of the institutions in the alliance are also active within the humanitarian innovation sector and many of the similar challenges were reported by our key informants.

The IDIA report proposed a shared concept to group the different innovation funding opportunities offered by different institutions. This summarises the innovation pipeline into three phases of: **proof of concept, transition to scale and scaling**.



**Proof of concept:** When the intellectual concept behind an innovation is tested to gain an early, 'real-world' assessment of its potential.



**Transition to scale:** When innovations that have demonstrated small-scale success develop their model and attract partners to assist in filling gaps (technical, financial) in their capacity to scale.



**Scaling:** The process of replicating and/or adapting an innovation across large geographies and populations for transformational impact.





To simplify and maximise the possibility of alignment, we looked at how well these three simple phases covered the existing terminology, to ensure that no key phases were missing. We found a high degree of alignment with these three phases and the existing language. The main differences arose when organisations unpacked the phases further (for example, our Innovation Guide contains Recognition, Search, Adaptation and Invention before the Pilot phase, which can all be grouped together under proof of concept in this simplified phase grouping).

Note: this is not intended as an exhaustive list of innovation funding rounds and levels considered during the report. Moreover, as part of the conflation of terms, we make a judgement based not just on the title of the funding round/level, but based on the characteristics of the funding as described in the linked documents within the first column of Table 1.

**Table 1: Terminology used to describe the innovation pipeline in innovation funding rounds**

**How each organisation refers to the shared concept in a selection of innovation fund rounds/levels**

Institution (alphabetical order)	Proof of concept	Transition to scale	Scaling
Creating Hope In Conflict (CHIC) – A Humanitarian Grand Challenge	Seed	Transition to Scale	
Dutch Relief Alliance (DRA) (DIF 1 and 2) <sup>4</sup>	Piloting	Adaptation/Readiness to Scale/Diffusion	
DRA (DIF 3)	Local Call		
Elrha – HIF	Innovation Challenges (various additional examples)	Journey To Scale	
Grand Challenges Canada (GCC) (Global Health Innovation)	Stars in Global Health (various additional examples)	Transition to Scale	
Global Innovation Fund (GIF)	Pilot	Test and Transition	Scale
Groupe Speciale Mobile Association (GSMA)	GSMA Innovation Fund for Anticipatory Humanitarian Action		
Humanitarian Innovation Programme (HIP Norway)	Innovation Lab	Scaling Grant	
USAID – Development Innovation Ventures (DIV)	Pilot	Test and Position for Scale	Transition to Scale
United Nations World Food Programme (WFP)	Sprint	Scaling	

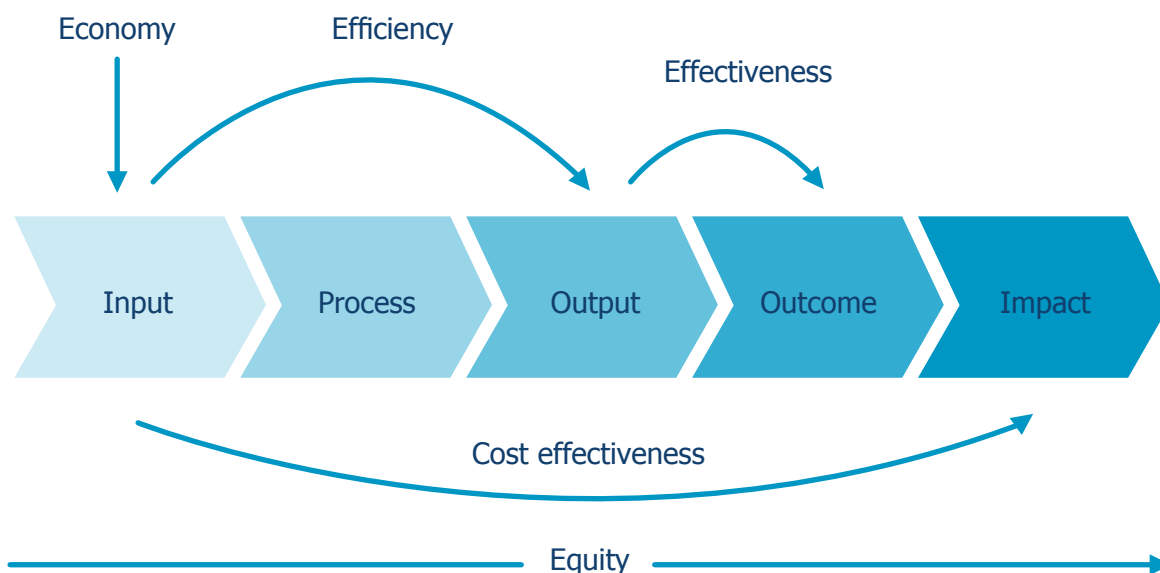
## ROI and VFM terminology

For many aspects of ROI and VFM, the definitions themselves are not very controversial. There is little disagreement within the existing literature over the exact definition or calculation of different measures. However, within the literature is frequent misuse of terms, particularly around cost-effectiveness. For instance, the term 'cost-effectiveness' was used in 541 studies on education reviewed by Clune, (published in Levin 2001), but of these, 80% had little or no actual cost-effectiveness analysis within them.<sup>5</sup>

In terms of VFM, the UK's FCDO uses the National Audit Office definition: "The optimal use of resources to achieve intended outcomes".<sup>6</sup> This is used as part of the 4E framework:

- Economy: Are we (or our agents) buying inputs of the appropriate quality at the right price?
- Efficiency: How well are we (or our agents) converting inputs into outputs? ('Spending well')
- Effectiveness: How well are the outputs produced by an intervention having the intended effect? ('Spending wisely')
- Equity: How fairly are the benefits distributed? To what extent will we reach marginalised groups? ('Spending fairly')<sup>7</sup>

**Figure 1: The '4E' Value For Money concept<sup>8</sup>**



U.S. Agency for International Development (USAID) documents follow a similar framing to the FCDO 4E approach. But theirs takes it further into the detail of methods, with clear explanations of cost-analysis, cost-efficiency, cost-effectiveness and cost-benefit analyses (CBA) – the first three of which strongly align to FCDO's first 3Es of economy, efficiency and effectiveness.



Narrowing within these, USAID defines CBA thus:

“Cost-benefit analysis (CBA) belongs to a family of analyses which compare the total costs of an intervention (including costs to society) to the monetized value of the totality of intervention’s [sic] benefits (including social benefits accrued to those who did not directly benefit from the intervention).”<sup>9</sup>

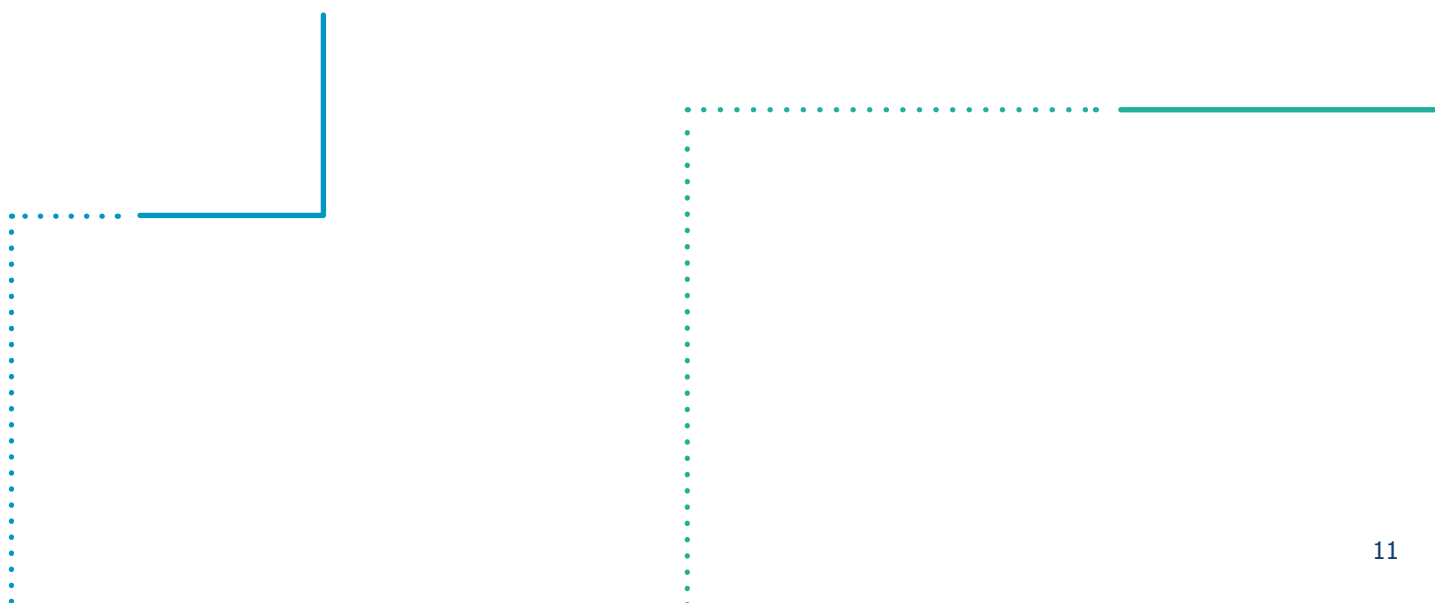
**Return on investment (ROI)** is similar theoretically to CBA, but in some organisations, usage is interpreted as having the added distinction of a portfolio view – where the ‘portfolio’ refers to the set of all projects which received investment from a particular fund. In other words, CBA might be used to assess the return of an individual project compared to its costs, while ROI might be used to consider a pool of investments such as an innovation fund, and the return that those investments collectively achieved. That ‘portfolio view’ is particularly important to innovation funds, where it is unlikely that every individual project would be a success.

In this case of ‘portfolio-level ROI’, not every investment needs to be a success for the portfolio to be a success. The key example here is USAID’s Development Innovation Ventures’ approach, which explains:



**“To assess the return on innovation investment, it is important to compare the cost of an entire innovation portfolio against its benefits”.**<sup>10</sup>

In some spheres, **social ROI** is sometimes seen as distinct or new from traditional ROI (where the non-financial benefits and costs are not immediately considered in contexts such as banking and finance). However, given the context of humanitarian innovation where financial returns are typically not expected, and where spillover societal effects are often expected, we will not explicitly differentiate between private and social returns in this project.



## Components within ROI

Beyond directly measuring ROI, which is not possible until later stages of the innovation pipeline, frameworks for assessing the value of humanitarian innovation focus on the components which would become part of an overall ROI calculation. We find it useful to identify how these different components fit into the eventual ROI of a project or portfolio:

$$\text{Project Return on Investment} = \frac{(\text{Impact} \times \text{Reach})}{\text{Cost}}$$

Where:



**Impact** is the overall effect, influence and transformative change in key humanitarian outcomes as a result of an innovation.



**Reach** asks how many individuals the innovation can target.



**Cost** is the monetary value of resources required to develop and/or implement an intervention or produce specific goods or services.<sup>11</sup>

The equation above, in its simplest form, represents the ROI of a single innovation or project. However, arguably the more important consideration for humanitarian innovation is the return on portfolio-level investments (ie. across many projects).

Portfolio-level ROI analysis is equally possible, but can be more challenging because it requires a significant amount of quality data for multiple projects – this is discussed in more detail in Section 5. For a theoretical portfolio of three projects (P1, P2 and P3):

$$\text{Portfolio ROI} = \frac{(\text{Impact}_{P1} \times \text{Reach}_{P1}) + (\text{Impact}_{P2} \times \text{Reach}_{P2}) + (\text{Impact}_{P3} \times \text{Reach}_{P3})}{(\text{Cost}_{P1} + \text{Cost}_{P2} + \text{Cost}_{P3})}$$



One challenge in actually conducting ROI analysis of innovations lies in the availability of data at different points in the innovation life cycle, particularly at the point where decision-makers are choosing whether to invest in future funding based on past performance. Here, we use:

**Ex post** to mean indicators measured via recorded results.

**Ex ante** to mean indicators measured via forecasts or predictions of future results.

For this purpose, it is useful to distinguish between when analysis is done in relation to the decision it is intended to inform. For example, analysis may often be done 'ex post' using data from an earlier stage in the innovation life cycle, but it is intended to be an 'ex ante' model of the possible ROI if that innovation were moved along the pathway to scale. In other words, innovation investors are likely to populate an ROI calculation using pieces of data from past trials of the innovation or the contexts in which it might be scaled (ie. ex post data). For instance, an individual might look at previous studies on the take-up rate of remote mental health services to estimate the potential reach of a new innovation they have for this sector. However, the relevant question the individual would seek to understand from an ROI model of the new innovation is not about those past methods, but about the potential future reach, impact and cost of their innovation (ie. an ex ante model).

The critical role that (ex post) data on new innovations plays in later (ex ante) modelling of the potential future returns from scaling reinforces the importance of being aligned on data needs early in the innovation process. Sequencing of data capture, based on feasibility at different stages of the innovation cycle, is discussed at greater length in Section 5.1.

## 2.2. Scope

This report aims to explore the current approaches in ROI and VFM assessment for innovation strategies at the portfolio level, with the aim of supporting alignment of methods that could be adopted by a range of actors currently investing in innovation within the humanitarian system. This aspect of alignment can support the consistency of data collection, particularly at early stages of the innovation pipeline in order to allow for better modelling of later stages, and can contribute to wider humanitarian discussions.

During the key informant interviews, it became clear that a range of different interests exists in this area across the various institutions. In particular, there was a range in interest from portfolio-level considerations of ROI to higher-level considerations of the ROI of humanitarian innovation as a whole (for example, as compared to other uses of humanitarian funding).

While it is not possible to tailor responses to each of these needs, it was agreed that this work would focus on the area of broadest interest among the actors, and where there is likely to be the most potential for alignment of methods – which was agreed to be the portfolio-level considerations. This therefore receives the majority of the focus of this report, though alternative and higher-level considerations are highlighted where relevant.



# 3. Methodology

## 3. METHODOLOGY

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The project was conducted in three phases. This allowed us first to map the landscape of existing practice around ROI measurement of humanitarian innovation, to understand the practical application of these approaches at present and to hone in on the key components where there is, or should be, the greatest alignment across actors.

### 3.1. Literature review

To begin, we mapped the existing tools and approaches through a desk-based literature review. We did this through the following steps.

First, we defined the terminology that would be used for the search, which was then used to search three sources:

1. A systematic keyword review of more than 4,000 papers collated as part of the literature review for our Global Mapping Exercise (unpublished).
2. A systematic internet search of key actors' websites.
3. A purposive internet search of humanitarian innovation funding rounds and the selection criteria used by key actors, particularly those interviewed.

**Table 2: Thematic areas explored in the literature review and associated keywords for search**

Topics	Keywords and synonyms
Return on investment, value for money	Piloting
Use in humanitarian context	'humanitarian', 'crisis', 'emergencies'
Use in innovation	'innovation', 'invention', 'transformation'

As our existing list of papers was already collated and organised by keywords, we applied filters to this dataset, using these keywords. However, as the Global Mapping Exercise analysis was not as specifically focused on the ROI and VFM topics as this project, the keywords used for the return on investment and value for money did not generate any hits. To broaden this, the filters were simplified to 'Return' and 'Cost', which resulted in 44 papers identified for further review.<sup>12</sup>

Subsequently, the number of hits and a quick review were used to judge each paper's relevance in relation to the topic of ROI and VFM concepts within humanitarian innovation – ie. to what extent the paper discussed ROI and VFM for particular humanitarian innovation projects, or the application of such methodology within the humanitarian innovation sector in general.

The second part of the literature review involved constructing search queries using keywords within key organisations' websites. These organisations included the list of organisations selected for key informant interviews, as well as additional key actors identified based on experience in the sector.

**Table 3: List of key actors and search strings for donor documentation search**

Topics	Search string
Return on investment	'return on investment' 'humanitarian' 'innovation' site: [DONOR SITE]
Value for money	'value for money' 'humanitarian' 'innovation' site: [DONOR SITE]
Cost benefit analysis	'cost benefit analysis' 'humanitarian' 'innovation' site: [DONOR SITE]

Key actors (alphabetical order):

- Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP)
- Dutch Relief Alliance (DRA)
- Elrha
- Foreign, Commonwealth & Development Office (FCDO)
- German Federal Foreign Office (GFFO)
- Global Innovation Fund (GIF)
- Grand Challenges Canada (GCC)
- Groupe Speciale Mobile Association (GSMA)
- IKEA Foundation
- International Committee of the Red Cross (ICRC)
- International Rescue Committee (IRC)
- Nesta
- Norwegian Agency for Development Cooperation (Norad)
- United Nations World Food Programme (WFP)
- United States Agency for International Development (USAID)
- Swedish International Development Cooperation Agency (SIDA)
- World Bank
- WFP Innovation





Each search result returned on the first page of Google (which shows the top ten results per query) was documented, and quickly reviewed for its usefulness in relation to the concepts of ROI and VFM within the humanitarian innovation space. These findings were collated in a spreadsheet and, again, evaluated for their usefulness in relation to ROI and VFM concepts within humanitarian innovation.

A purposive internet search was conducted focusing on the project documents and guidelines for humanitarian innovation funding and the selection criteria used by many of those key actors (particularly those interviewed). This largely focused on the most recent funding rounds (with documents accessible online) conducted by the institutions, looking at the extent to which these took into account aspects of ROI and VFM.

This also looked for high-level methods used to estimate overall impacts of humanitarian innovation above the portfolio-level. Among these were Grand Challenge Canada's Impact Modelling approach<sup>13</sup> and Global Innovation Fund's Practical Impact approach;<sup>14</sup> both were also explored for consideration of the higher-level aggregation, and for discussion during the key informant interviews (KIIs) for any applicability to portfolio-level decisions.

Finally, to complement this analysis, we also looked at other sectors including how venture capitalists in the private sector assess investments in start-ups. While the nature of the investments that venture capitalists make are very different – driven by profit, instead of social returns – there are core similarities with humanitarian innovation funds: they are investing in unproven innovations and must assess their viability without conclusive data.

### 3.2. Key informant interviews (KIIs)

Key stakeholders were contacted during this process. These included (alphabetical order):

- Dutch Relief Alliance (DRA)<sup>15</sup>
- Dutch Ministry of Foreign Affairs (MFA)
- (UK) FCDO
- GFFO, Humanitarian Assistance Module (HAM)
- GIF
- Creating Hope in Conflict (CHIC): A Humanitarian Grand Challenge
- GSMA
- IKEA Foundation
- ICRC
- Innovation Norway
- USAID DIV
- WFP



A consent form was developed with details on the project aims, how the interviews would be conducted, how the information would be stored and confidentiality maintained.

These interviews were semi-structured, lasting approximately 45 minutes, and notes were taken for internal purposes. The calls were not recorded, and individuals were not to be named nor directly quoted.

We had a high degree of success in reaching organisations. However, not all those listed could be reached, while some spoke informally and we triangulated their comments with publicly available evidence.

A semi-structured interview guide was developed that was loosely followed during the interviews, which can be seen in Appendix A.

### 3.3. Feedback and follow-ups

Building on the learnings and common themes that came out of the literature review and the key informant interviews, we set out a proposal in Section 5 for an approach to ROI and VFM with the aim of aligned use by actors in the sector. This proposal was then discussed with a subset of the organisations listed above,<sup>16</sup> to gather their feedback and understand the practicality of whether this will be feasible for actors in the sector to adopt and incorporate into their processes.



4.

# Findings from the literature and KIIs



## 4. FINDINGS FROM THE LITERATURE AND KIIS

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Throughout the key informant interviews, there was a collective understanding that the humanitarian innovation sector was maturing into a more established field, and that more data was becoming available to help inform decisions in that space.

Stakeholders commented that there is a desire to better utilise data in order to make decisions more relevant to humanitarian innovation-specific challenges; they noted that the sector is moving away from older methods typically adapted from regular humanitarian and development programming, which it was felt lacked the nuances required when seeking innovation. Positively, there was a sense that discussions were becoming more innovation-focused and more nuanced.

### 4.1. How is ROI currently being used for investment decisions?

To understand the extent to which organisations are currently using ROI in their investment decisions and how, we looked at documentation for their funding opportunities. We present the mapping of this below, looking at how the key components are used and what the information requirements are at each stage.

Criteria related to 'reach' are shown in green, 'impact' in blue and 'cost' or 'cost-effectiveness' in red. Table 4 shows a summarised version of the selection criteria used for these funding opportunities, with a full version in Appendix C.

There are four key findings from this exercise:

- 1. Information on costs is the biggest gap in existing processes.** Costs are often not mentioned at all, or mentioned in passing in terms of cost-effectiveness. Costs are important for a number of reasons. Firstly, the cost is important in and of itself, in terms of the affordability of the innovation. A very high impact innovation might appear cost-effective (calculated by impact divided by cost), even if the cost itself is also high. But if this high cost means that the innovation is unaffordable and out of the reach of the majority of governments and actors, then this innovation is not going to be able to be used and be successful. Secondly, data on costs is a necessary pre-requisite to more in-depth calculations on cost-effectiveness or ROI. A greater focus on costs, as well as cost-effectiveness, is a key requirement for improved use of ROI in humanitarian innovation.
- 2.** This holds true even when projects mature (towards the 'transition to scale' and 'scale' stages), where greater quantitative information should be required, but **cost and cost-effectiveness metrics are often not explicitly defined in the documentation.** Key informants commented that in spite of the increased



availability of data, accessing and collating cost-related data poses a significant challenge at all stages of the innovation pipeline. The problem is exacerbated where funders of innovation fail to acknowledge the need for cost-related data above and beyond that needed for standard measurement of monitoring and evaluation (m&e) (which may focus on measuring impact or informing adaptive decisions within the project).

3. A similar observation is that while it is natural – that the selection criteria are more likely to go from qualitative answers at the proof of concept end of the pipeline, to more quantitative at the scaling end – **there is often a lack of explicit detail on what quantitative detail or indicators are needed, reducing the comparability of data that is reported.** This could arise from a desired flexibility in the requirements to reflect the variation in innovations; however, discussions with key informants suggest that this also results in a lack of quantitative data involved in investment decisions and greater difficulty with consolidating estimates of returns across multiple different investments, when trying to create portfolio-level measures.
4. **Finally, it is also notable that explicit guidance is often lacking on what evidence should be generated within each phase** that would enable innovations to progress from the proof of concept phase to transition to scale and then on to scaling. Institutions often appear to treat each funding opportunity as fresh from the others; while this is not by itself an issue, one resulting challenge appears to be a lack of focus during a pipeline phase of what evidence will need to be generated to progress to the next pipeline phase. In other words, it was often not explicit what evidence should be collected during a proof of concept phase, that would help innovations when applying to a transition to scale round in the future.

**Table 4: Abridged innovation fund selection criteria; see Appendix C for full selection criteria**

**Note:** Selection criteria are condensed, and then colour-coded by **Reach** (in green), **Impact** (in blue) and **Cost** (in red). Secondary considerations are also highlighted: of sustainability (in underline) and niche of the innovation fund (in italics).

Condensed selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

Institution	CHIC	DRA	DRA
Programme	'Seed' and 'Transition To Scale'	DIF 1 2018	DIF 3 – Local Call
Link	Creating Hope in Conflict: A Humanitarian Grand Challenge	Dutch Relief – Innovation Proposal	Dutch Relief – Uganda Local Call
Criteria (different funding stages shown in bold where relevant)	<p><b>Impact</b></p> <ul style="list-style-type: none"> <li>Does the proposed solution have the potential to generate life-saving or life-improving assistance for vulnerable people in hard-to-reach locations in conflict-affected contexts?</li> <li>Is the proposed solution appropriate for wider implementation in conflict settings?</li> <li>Does the proposed idea apply to the most vulnerable and have the potential to address inequalities?</li> <li>Does the solution adhere to humanitarian principles?</li> <li>Does the proposed solution have the potential to affect systems change in the humanitarian sector?</li> <li>How well does the proposed idea integrate scientific/technological, social and business innovation?</li> <li>Will affected people be engaged in identifying the problem and solution of the proposed innovation?</li> </ul>	<ul style="list-style-type: none"> <li>Relevance of the innovation – The proposed solution should be clearly linked to needs on the ground, answering a gap in the sector.</li> <li>Proposed innovation – Justification of the 'innovation logic', including description of the process, targets, indicators and monitoring.</li> <li>Efficiency and effectiveness/value for effort – The innovation must be disbursed with a minimum of bureaucracy; it must be timely and cost-efficient to gain efficiencies in delivering assistance that is potentially life-saving or live-improving.</li> <li>Transparency, adoption and scalability – The proposed innovation should be as transparent as possible and used by others to improve humanitarian performance.</li> </ul>	<p><b>Four main guiding principles</b> should be at the centre of the design of the projects:</p> <ul style="list-style-type: none"> <li><b>Relevance and local leadership:</b> The proposed solution should be clearly linked to needs on the ground, <i>answering a gap in the sector</i>. You need to be thinking about the impact you want to create and to demonstrate how the rights and interests of people who are affected are respected.</li> <li><b>Level of innovation:</b> Is the innovation incremental or disruptive? Is it an adaptation, a geographical innovation, a transition of a known method or product to a new sector, a complete invention?</li> </ul>



### Project Execution Plan

- Is the project execution plan designed to demonstrate proof of concept of the idea within the time and resources provided? (Seed ONLY)
- Does the proposal reflect a well-developed plan for scale and sustainability, including commitments from key stakeholders and partners needed to proceed along a path to scale and sustainability?
- Is there a connection with the private sector that will increase the likelihood of success?
- Is the plan to monitor and evaluate impact sufficiently robust?
- Does the proposal consider gender equality, environmental sustainability, and human rights and inclusion?

### Leadership Capability to Champion Change

- Do the project lead and key team members have the commitment and leadership needed to scale?

### Value for Effort

- Are the scope of the proposed work, the project team's capacity and the funds requested reasonable and commensurate with the proposed proposal goals?
- Does the proposal represent a particularly thoughtful and efficient use of resources?

- *Localisation* – Where possible, local actors should be involved in the innovation process.
- *Collaboration* – To what extent is the proposal the result of a joint and effective coalition from various types of stakeholders?
- *Accountability* – The innovation must be accountable towards the people who are affected, the donor and the Dutch public.
- *Participation* – To what extent are the people affected meaningfully engaged in design and/or implementation?
- *Gender and inclusiveness* – Is the innovation sensitive towards differences in gender, age and the most vulnerable groups?
- *Consolidated learning and evidence* – Strong monitoring and evaluation should lead to learning and evidence.
- *Risk* – Innovations take the 'Do No Harm' principle into account, as well as other potential risk factors.

- **Potential for impact:** The proposed innovation must first and foremost have the potential to generate life-saving and life-improving assistance. It must also already outline next steps: What are the sustainability perspectives for this innovation? How many people will benefit from it during the pilot and how many more could benefit if it is successful and scaled? Applicants need to be able to articulate how the investment level justifies the expected outcomes or how an initial investment will later become a cost-efficient approach. The proposal should contain a realistic timeline and budget. In order to maximise potential for impacts, applicants must commit to principles of transparency, open-source and knowledge-sharing.
- **Feasibility:** The main parameters under scrutiny will be technical soundness, team capacity and realistic objective-setting. The call recognizes an element of unknown and risk-taking inherent to the innovation process but encourages applicants to include risk mitigation measures and to minimize exposure and ensure Do No Harm for beneficiaries.



Condensed selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and *sustainability*.

Institution	Elrha	GCC	GIF
Programme	Journey to Scale	Transition to Scale	Open
Link	<a href="#">HIF Scale Handbook</a>	<a href="#">GCC – Transition to Scale</a>	<a href="#">GIF – Stage of Funding</a>
Criteria (different funding stages shown in bold where relevant)	<p><b>1. A Well-Understood Problem</b></p> <ol style="list-style-type: none"> <li>What is the problem your innovation is addressing?</li> <li>Where does your understanding of the problem and its importance come from?</li> </ol> <p><b>2. An Impactful Solution</b></p> <ol style="list-style-type: none"> <li>What is your innovation?</li> <li>How have you tested, developed and improved your innovation?</li> <li>What evidence do you have that your innovation can deliver real-world impact?</li> <li>What are the ethical considerations related to your innovation?</li> </ol> <p><b>3. Readiness for Journey to Scale</b></p> <ol style="list-style-type: none"> <li>What impact could your innovation have on the problem at scale?</li> <li>How do you envisage scaling up your innovation?</li> </ol>	<p><b>1. Boldness</b></p> <p>Is the solution innovative and designed to meet the specific needs of people who are underserved?</p> <p><b>2. Impact</b></p> <p>Is the project transforming the lives of those who were previously underserved and can this be scaled?</p> <p><b>3. Scale</b></p> <p>Is there a realistic and sustainable path to achieve scale?</p> <p><b>4. Sustainability</b></p> <p><u>Is there a clear and realistic path to reach financial sustainability once the last Grand Challenges Canada dollars have been spent?</u></p> <p><b>5. Team</b></p> <p><i>Is the team led by people with the capacity, skills and experience to achieve impact, sustainability and scale?</i></p>	<p><b>Pilot</b></p> <ul style="list-style-type: none"> <li>Pilot innovations are at an early stage, but you have a credible plan for how it can be developed and tested in a real-world setting.</li> <li>Evidence – Demonstrate why the innovation is needed, such as evidence of customer demand or interest in the innovation.</li> <li>Potential to scale – The potential to scale commercially is shown by customers’ willingness to pay and is politically/ logistically feasible.</li> <li>Use of funds – Investment at the pilot stage is focused on testing core assumptions around operational, social and <b>financial viability</b>.</li> </ul> <p><b>Test and transition</b></p> <ul style="list-style-type: none"> <li>Some information on your operational, social and <b>financial viability</b>.</li> <li>Evidence – You have a clear rationale for why the innovation could have a greater impact at scale than other approaches.</li> </ul>





#### 4. The right team for scaling

- a. How is your team organised?
- b. What additional skills and capacity will your team need to scale effectively?
- c. Does your team have the autonomy to explore a range of relevant pathways to scale?

#### 5. Relevant partners and networks

- a. Do you have any champions committed to helping you scale your innovation?
- b. Do you have any close partners and how formalised is each relationship?
- c. Will you need to partner with anyone else to achieve impact at scale?

#### 6. Value Add

Does the innovation add value to GCC's portfolio?

- Potential to scale – The innovation has the potential to be politically and logistically feasible at scale, with demonstrable interest from public sector scaling partners or capital backing.
- Use of funds – Investment at the test and transition stage is intended for innovators that require support for continued growth or for generating rigorous evidence on whether the innovation can achieve social impact.

#### Scale

- Evidence – Your innovation already has evidence of impact, cost-effectiveness and implementation feasibility or market viability in at least one context.



Condensed selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and *sustainability*.

Institution	GSMA	Innovation Norway	IRC
Programme	Innovation Fund for Anticipatory Humanitarian Action	Humanitarian Innovation Programme (both Innovation Lab and Scaling Grant schemes)	Innovation to Scale Pipeline
Link	<a href="#">GSMA Innovation Fund for Anticipatory Humanitarian Action</a>	<a href="#">HIP Norway evaluation criteria 2022</a>	Attachment
Criteria (different funding stages shown in bold where relevant)	<p><b>Projects should seek to demonstrate:</b></p> <ul style="list-style-type: none"> <li>How mobile-enabled technology can be innovatively applied to support communities to anticipate and prepare for crises.</li> <li>How mobile-enabled technology can be used to make anticipatory action 'smarter' (by using feedback, learning and adapting to deliver a more targeted response).</li> <li>How anticipating crises through technology can inform more timely humanitarian responses.</li> <li>How anticipatory humanitarian mobile-enabled solutions can be inclusive and widespread.</li> <li>Which business models enable anticipative digital solutions to <u>be adopted sustainably</u> and <b>at scale</b>.</li> <li>What role mobile operators and other digital actors can play in developing, testing, delivering these solutions, supporting proven interventions to go to scale.</li> </ul>	<p><b>1. Level of innovation</b> The solution represents something completely new or exists in other sectors but is new in the humanitarian sector.</p> <p><b>2. Impact (including evidence from pilot testing for scaling applications)</b> The innovation project will impact people affected by humanitarian crises: they receive help for things they have not received help before, or they will receive better and more efficient help.</p> <p><b>3. Enabling environment and organisational readiness</b> <i>The project is strategically rooted within the organisation(s) and with managers from the involved offices/units.</i></p> <p><b>4. Inclusiveness</b> Members of affected populations are an integral part of the project team, from the needs assessment through to scale.</p>	<p><b>Idea Stage</b></p> <ol style="list-style-type: none"> <li><b>Problem and Scale:</b> Identify a problem that affects many people.</li> <li><b>Impact and Scale:</b> The solution can increase impact per dollar or scale.</li> <li><i>Product Market Fit: Identified targets for innovation</i></li> <li><i>Airbel Niche: Niche role and space are not too crowded.</i></li> <li><i>Market Gap: A solution doesn't exist or one does and needs incubation.</i></li> </ol> <p><b>Prototype Stage</b></p> <ol style="list-style-type: none"> <li><i>Product Market Fit/Impact: A majority of clients indicate prototype is desirable/useable.</i></li> <li><i>Market Gap: The solution fills a gap in the market.</i></li> </ol> <p><b>Pilot Stage</b></p> <ol style="list-style-type: none"> <li><b>Scale:</b> Data shows intervention can reach meaningful number of the target population.</li> <li><b>Impact and plausible cost-effectiveness:</b> Improvements in primary outcomes and/or greater potential for scale than other solutions.</li> </ol>



- What partnerships at local and regional levels are required for improving and enabling conditions (infrastructure, access to mobile, regulation, domestic support) so that innovative digital solutions can be adopted, sustained and scaled?
- Their understanding of the policy and regulatory issues in the region and a clear understanding of the regulations that will govern project implementation.
- Their understanding of the mobile connectivity landscape in the region of implementation.

#### 5. Technological feasibility

The proposed project/solution represents an appropriate use of the technology for the specific humanitarian context.

#### 6. Partnerships Innovation Lab:

*The project seeks expertise from and cooperation with the private sector to solve the given challenge and shows a willingness to carry out such a process (needs analysis, open market dialogue and a competitive procurement process).*

#### 7. Scaling potential

The organisation clearly aims to scale the solution to reach more people, new geographical areas or new organisations. *The project is sustainable and has a learning potential for the sector.*

#### Rigorous Evaluation Stage

1. **Impact:** Project has meaningful improvements.
2. **Cost effectiveness and scale:** Meaningful improvements in cost-effectiveness compared with existing solutions.

#### Scale Stage

1. **Scale:** The intervention can scale to a meaningful number of people.
2. **Sustainability:** 'Doers' and 'payers' are identified, infrastructure for intervention is confirmed, key stakeholders are aligned, solution is viable in context.



Condensed selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and *sustainability*.

Institution	USAID DIV	WFP
Programme	Open	Innovation Accelerator
Link	U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FY2023 Development Innovation Ventures	World Food Programme – Innovation Accelerator – Apply
Criteria (different funding stages shown in bold where relevant)	<p><b>Pilot</b></p> <ol style="list-style-type: none"> <li>Evidence of impact – Rigorous evidence of causal impact is not required; however, applicants must present a theory of change and justify the innovation can make a positive impact.</li> <li><b>Cost-effectiveness</b> – Articulate why their innovation has the potential to be cost-effective at scale with likely costs and effectiveness relative to other solutions.</li> <li>Potential for scale and financial sustainability – Demonstrate that their innovation has the potential to reach millions of lives sustainably.</li> </ol> <p><b>Testing and Positioning for Scale</b></p> <ol style="list-style-type: none"> <li>Evidence of impact – Differs dependant on pathway to scale.</li> <li><b>Cost-effectiveness</b> – Applicants must demonstrate plans to analyse cost-effectiveness or show that they have already done so.</li> <li>Potential for scale and financial sustainability – Demonstrate that their innovation has the potential to reach millions of lives sustainably.</li> </ol> <p><b>Transitioning to Scale</b></p> <ul style="list-style-type: none"> <li>Public pathway to scale – Applicants for Stage 3 awards for innovations designed to scale publicly must demonstrate rigorous evidence of causal impact on a development objective and a compelling case based on the impact measurement that the solution will be cost-effective at scale relative to alternative solutions.</li> <li><u>Commercial pathway to scale – Stage 3 innovations intended to scale commercially should have demonstrated market viability. Applicants should therefore no longer need donor funding for regular operations; instead, they would use donor funds only to adapt and scale.</u></li> </ul>	<p>Impact for the people we serve and potential to reach Zero Hunger</p> <p>Feasibility, including time to deliver impact, technology maturity and user traction</p> <p>Level of innovation</p> <p><u>Financial sustainability with a clear business case that does not rely on WFP funding</u></p> <p><i>Team strength, experience and commitment</i></p>



## 4.2. Learning from others

Alongside looking at ROI in humanitarian innovation, we also looked how this is approached by venture capitalists. Although a very different operating context, there are similarities in approaches and important lessons that can be gleaned for humanitarian innovation. In particular, four key messages emerged from the venture capital space.

- 1. VC, especially for early-stage companies, do not tend to rely on financial forecasting to make investment decisions.** In a study conducted by the Harvard Business Review of the majority of leading VC firms, the team found that “20% of all VCs and 31% of early-stage VCs reported that they do not forecast company financials at all when they make an investment”. This is explained by the fact that “because exits [*when a company is sold*] vary so much, VCs focus on finding companies that have the potential for big exits rather than on estimating near-term cash flows”.<sup>17</sup> The lesson for humanitarian innovation would be that earlier stages of decision-making should not over-focus on trying to get precise estimates of future monetary-equivalent returns.
- 2. To assess the potential for ‘big exits’, as noted above, venture capitalists seek start-ups that “(a) make something lots of people want, and (b) reach and serve all those people”**, writes Paul Graham, a leading venture capitalist, in an essay on start-up growth.<sup>18</sup> For humanitarian innovations, similar criteria could be considered. First, is there a sufficiently large number of clients in humanitarian contexts that want the product/service/intervention being tested, based on early indicators of client demand and uptake? Second, is there a scalable mechanism that the team can reasonably develop that can reach many or most of those clients in a cost-effective way?
- 3. Early-stage and later-stage investments are judged differently.** As noted by Tim Chae, a general partner at a venture capital firm, “In a very generalized way, early-stage investors care more about evidence, while later stage investors care more about proof”. Here, we can think of ‘evidence’ as early-stage, often qualitative indicators of future success, and ‘proof’ as later-stage, incontrovertible, often quantitative information showing success was achieved. Chae describes the evidence required at the early stage as needed to make “a binary assessment” about whether the start-up has the potential to be “big”. More numbers are required for later-stage investments – and each firm will have a different set of numbers they are seeking to provide that ‘proof’. Here, funding for start-ups come in different ‘rounds’, named Series A, B, C to differentiate the ‘stage’ of funding. Series A comes first, then Series B, and so on. For Series A, the initial round of funding, for example, companies should be establishing a customer base (in a large market) and demonstrating consistent revenue flow (demonstrating a product/service people want, and that they can be reached). Later, in Series C, an innovation would need to show proof of actual growth and concrete plans to expand to receive funding at this stage. For humanitarian innovations, a similar differentiation in how to assess early-stage and



later-stage innovations is relevant. At the early stage, an innovation fund can look for early evidence – or indicators – that an innovation will be successful, and at a later stage, proof in impact achieved and people reached is needed to fund further scale.

- 4. VC evaluate their success at the portfolio level, due to the high variability of individual investments.** As Graham describes, “it’s a mistake to use the median in a domain with so much variation. If you look at the average outcome rather than the median, you can understand why investors like them”.<sup>19</sup> A Harvard Business Review article<sup>20</sup> similarly states: “Given the portfolio approach and the deal structure VCs use, however, only 10% to 20% of the companies funded need to be real winners to achieve the targeted return rate of 25% to 30%.” In other words, it does not matter that many of the start-ups in a typical venture capitalist’s portfolio fail so long as a few achieve success in huge markets. Returning to the equation for portfolio-level ROI, above, for humanitarian innovation, this is equivalent to saying that an impressive ROI can be achieved, even if several projects ultimately achieve no impact or reach, so long as some projects invested in are big winners. It is not even necessary for the median project to be a success, since the actual outcomes of innovation investments may be hugely varied. It is important to note that in taking risks on individual investments, measuring results at the portfolio level, humanitarian innovators should always follow the ‘do no harm’ principle. The risk of failure has to be carefully managed so that even while the innovation is being developed, the quality of service is not compromised.



5.

# Moving towards a system-wide approach to ROI and VFM



## 5. MOVING TOWARDS A SYSTEM-WIDE APPROACH TO ROI AND VFM

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Building on the common themes from the literature review and the key informant interviews, we now set out a proposed approach to ROI and VFM for funding in humanitarian innovation.

As discussed earlier, we build this around a 3x3 matrix – looking at reach, impact, costs and cost-effectiveness for each of the three phases – proof of concept, transition to scale, scaling.

### 5.1. Overview of proposed indicators

The tables below present a recommended set of 'ROI indicators' – measures which can be feasibly assessed at each of the relevant phases of the innovation cycle, and which are sufficiently aligned with *eventual* portfolio ROI to provide the basis for decision-making about investments. These indicators are intended to be used by innovation funds when setting out their selection criteria – or to be used by donors when agreeing terms of their investment in innovation funds.

These are not intended to be the only criteria. Other key factors are also important for the success of a project, such as demonstrating the applicants' ability to deliver (where 'applicants' refers to the organisation applying for funding for their innovation) or suitability to the targeted niche of the innovation fund.

Rather, these indicators are the ROI-specific criteria that can help in the consideration of the potential success of the innovation in the future, and in aggregate can provide the building blocks for portfolio-level ROI assessment.

One point is that a calculated, numerical ROI in humanitarian innovation cannot be assessed with any precision in the earliest phases of the innovation pipeline. Therefore, we recommend a set of indicators for the early phases which are feasible to measure and represent components of eventual portfolio ROI.

Together, these indicators provide a broad set of components to support this. Where an innovation fund already requests similar information to some of these indicators, the innovation fund could consider aligning their requirement phrasing and terminology as defined in Table 5. In cases where there is little alignment between established indicators and innovation fund requirements, individual innovation funds should consider incorporating processes they do not cover.





These indicators are intended as selection criteria – so they would be assessed ex ante for the stage under which the indicator is listed. However, the ex ante assessment of an indicator for the subsequent phase is likely to be informed by ex post measurement of the stage an innovation has just completed. For this reason, the indicators often include italicised requests to define how this component will be measured if funding is secured – ie. with the intention of informing the next stage.

For each of the 14 suggested ROI indicators, further details are set out in Appendix A. This is intended as a key accompaniment to this report, but is quite detailed and comprehensive so is shown in the Appendix to improve the flow of the document.

These further details include significant extra information on how the indicator can be considered or measured (including links to other useful materials where relevant); the relevant time dimensions to be considering for this indicator; the relevant comparisons to make to existing methods of tackling the problem that the innovation is also trying to solve; and examples or case studies that demonstrate this.



Table 5: Matrix of proposed indicators to measure humanitarian innovation ROI

Components of ROI	Phase 1: Proof of concept	Phase 2: Transition to scale	Phase 3: Scaling
<b>A. Reach</b>	<p><b>1A.1</b> Discuss the size of the problem that the innovation is intended to address.</p> <p><b>1A.2</b> Provide information on how the innovation could feasibly reach a meaningful number of the target population, if taken to scale in the future. Include discussion of the potential partners that would be involved in the future scaling of this innovation, and other actors involved in this problem.</p>	<p><b>A.1</b> Discuss the potential of this innovation to be politically and logistically feasible at scale, and the key challenges to this feasibility.</p> <p><b>2A.2</b> Provide initial evidence on the potential reach of the innovation, if taken to scale. Discuss how this is likely to change during the transition to scale phase (if at all).</p>	<p><b>3A.1</b> Provide information on how the political and logistical feasibility of this innovation will be evidenced during this scaling phase.</p> <p><b>3A.2</b> Provide rigorous evidence on the reach of the innovation, relative to the scale of the problem.</p>
	<p><b>A. (Comparator)</b> Include considerations of: what reach do existing interventions have, and how does this innovation possibly compare? Does this innovation target the population and problem that are a focus of this innovation fund?</p>		
<b>B. Impact</b>	<p><b>1B.1</b> Provide a theory of change, describing how and why the innovation is likely to generate a positive impact. <i>Provide information on how the key assumptions in the theory of change will be tested during the proof of concept phase.</i></p>	<p><b>2B.1</b> Provide a clear theory of change that draws upon existing evidence (though it need not be causal at this phase) to justify how and why the innovation is expected to generate a positive impact. <i>Provide information on how a causal impact on outcomes will be measured during the transition to scale phase.</i></p>	<p><b>3B.1</b> Provide rigorous evidence on the causal impact of the innovation on the targeted outcome(s), and how this compares relative to alternatives. <i>Provide information on how impact will be measured during the scaling phase, how this will be compared to costs and calculate cost-effectiveness, comparable to alternatives.</i></p>
	<p><b>B. (Comparator)</b> Include considerations of: how big an impact do current approaches to this problem have? Do current approaches work equally well for all contexts or subgroups? Does the proposed innovation perform better than current approaches, in general or for certain contexts/subgroups?</p>		



<b>C. Cost and cost-effectiveness</b>	<p><b>1C.1</b> Discuss the likely costs and characteristics that will make this innovation affordable relative to alternatives. Include discussion of the three largest likely cost drivers – are these variable for each unit output of the innovation, or fixed at another unit (per geographic area, cluster, factory or other unit)? <i>Provide information on how costs will be measured during the proof of concept phase.</i></p>	<p><b>2C.1</b> Provide initial evidence on the costs and main cost drivers, and how these are expected to change (if at all) during the transition to scale phase. <i>Provide information on how costs will be measured during the transition to scale phase.</i></p> <p><b>2C.2</b> Discuss how the development of these costs will interact with the current and projected evidence on impacts, and what the plausible cost-effectiveness is. <i>Provide information on how plausible cost-effectiveness will be estimated during the transition to scale phase.</i></p>	<p><b>3C.1</b> Provide rigorous evidence on the costs per output and cost drivers, and how these are expected to change (if at all) during the scaling phase. <i>Provide information on how costs and cost drivers will be measured during the scaling phase.</i></p> <p><b>3C.2</b> Provide rigorous evidence on the cost-effectiveness of the intervention, and how this is expected to change (if at all) during the scaling phase. <i>Provide information on how cost-effectiveness will be measured during the scaling phase.</i></p>
	<p><b>C. (Comparator)</b> Include considerations of: what is typical government or NGO spending, per person, on this problem? How much do the current approaches to this problem cost, per person reached? How much do current approaches to this problem cost, per unit of impact achieved?</p>		

**Note:** These indicators are intended as selection criteria for the stage under which they are listed. Italicised text requests details on how the component will be measured if selected, with the intention of ensuring that sufficient information is collected to meet the selection criteria of the next phase.



## 5.2. From indicators to portfolio ROI

So far we have focused on outlining a methodology for assessing future returns on an investment for individual projects within an innovation fund, using proxy indicators that could plausibly be assessed at each stage. However, if the purpose of innovation investment is to test highly uncertain solutions in order to make a significant improvement to the status quo, then it is likely that the value from these investments will be from a smaller number of 'breakaway' innovations. For this purpose, a portfolio-level ROI analysis is likely to be more useful for management purposes.

This is because, while the majority of projects may fail, if a few innovations in the portfolio are successful and have strong impact at scale, the overall portfolio may have a strong overall ROI – indicating that the overall investment was valuable. This approach is common in venture capital (and broader fund management), particularly where funds are specifically dedicated to riskier, not-yet-proven solutions which, almost by definition, will not all succeed.

One simple way of assessing portfolio-level return is to look at the combined costs<sup>21</sup> of the portfolio's interventions, and to assess whether the combined benefits outweigh these – with the understanding that while every project's cost will be included, the benefits for many projects may be zero.

To use parallels to the VC world, if the (monetary) benefits of even one investment are greater than the combined costs, then the portfolio is successful so long as that one investment succeeds. Looking at the world of development, a retrospective analysis of USAID DIV showed that of 43 innovations in their early portfolio, only five of these demonstrated a portfolio return of 17:1 when accounting for benefits. The challenge then is how to aggregate benefits, which may cover a range of different metrics. The simplest method here is to translate these benefits to monetary benefits if possible, but this might be difficult where the strength of the evidence on translating effects to dollar values is weak – as is often the case where projects are targeting social benefits.

For either of these methods, one advantage is also that it is possible to evaluate the portfolio ROI even without standardising benefits, as it is possible to ask if the returns for the breakaway 'winners' that can be monetised are worth the costs for all the projects. In other words, this means that even if some projects do not have satisfactory quality of evidence, this need not deter the assessment of portfolio-level return.

This is because once the benefits are 'banked' then as long as the costs stay as estimated, they are covered. This can also buy the portfolio manager space for either increased risk-taking, or for seeking returns that are valuable, but might not be measurable. This will apply more to portfolios with different starting points, where the risk appetite will differ depending on the success (or otherwise) of earlier projects. We outline below some suggested ways of doing simple portfolio ROI through aggregation.



Portfolio-level ROI, in its simplest form, can be estimated by taking the cumulative benefits of all of the projects funded by an innovation fund, and dividing by the cumulative costs of those investments. For a series of funded projects  $p = 1, 2, \dots, n$  we can simply sum the benefits, and then sum the costs. Note that the amount invested by an innovation fund may not cover all the costs of a project; for the purposes of the innovation fund it is the amount they have invested that is most important, so we use 'investment' here to distinguish this.

$$\text{Portfolio ROI} = \frac{(Reach_1 \times Impact_1) + (Reach_2 \times Impact_2) + \dots + (Reach_n \times Impact_n)}{(Investment_1 + Investment_2 + \dots + Investment_n)}$$

Note that the cumulative time that has elapsed is not an explicit variable in this equation, but is instead folded into the measurement of the Reach, Impact and Investment.

Except for a general admonition to think about the future possible reach and impact of an innovation, there is no clear guideline for what time horizon to use when modelling benefits. The most rigorous ROI calculations, based on exact knowledge of how much reach and impact an innovation eventually achieved, could only realistically be constructed after all of those years of reach and impact had elapsed. Alternatively, it is possible to set a specific time horizon (usually either five or ten years) and work out speculative estimates of each innovation's reach and impact over that time period.

However, this relies on information being available for the estimated impact, and the estimated reach and costs – which are usually only available with a certainty in the later stages of projects. The natural next step therefore is to allow us to incorporate uncertainty of these benefits/reach/costs into our thinking, to estimate the potential ROI at different points in the timeline of an innovation fund.

For simplicity, we focus on three ways of incorporating this uncertainty into any estimates, depending on the overall purpose and at what stage of the innovation pipeline projects are at. These are done through incorporating probability weightings into our thinking:

1. weighting the probability of success – asking, for example, how confident are we that we can achieve this reach?
2. using break-even analysis – asking, for example, under what assumptions is the ROI likely to be positive?
3. tracking the running total of realised benefits.

These are explained in more detail in turn.



### Approach 1: Weight our estimates by probability of success within each project

This approach would take the predicted estimates for each project's overall ROI, but would ask for each component of the benefits:<sup>22</sup> how confident are we that this will succeed?

This approach can appear more precise, but due to the difficulty of predicting, this can actually be more subjective. Here, teams would seek to use project information to apply more specific weights to each project, including information on its operating environment, to come up with the subjective probability of success. This can be done for the benefits and reach, through stress-checking the assumptions and uncertainty in the theory of change.

For example, if the total beneficiary population is 100 million, and the project needs 90 million to be a success, this implies that the vast majority of beneficiaries would need to be reached – a priori this would seem a harder ask than if the project needed to reach just 1% of the total beneficiary pool to be a success.

One challenge here is that it, by design, decreases the precision of the estimates noticeably. (As the probability is uncertain, even a +/- 5% difference can have a big impact on the range of estimates when multiplied and summed across multiple projects.) The extent to proceed with this approach depends upon the innovation funds' confidence in the estimations for each project, and their tolerance of uncertainty.

### Approach 2: Use conservative assumptions at project level to check if the portfolio has or will break-even

An alternative to digging into each project specifically is to ask: what failure rate of projects can this portfolio tolerate and still generate positive ROI? This can be done simply by looking at the sum of costs, and estimating the benefits that are needed to reach this amount. This can also be done by looking at acceptable losses, where the question is: what percentage of projects can fail before the portfolio breaks even?

This is a prescriptive approach, where a certain loss ratio is set across the portfolio, which is then applied equally to projects (which assumes that failure is random). This is usually set higher in early phases, and lower in later phases. For example, it could be that 50% of initial ideas do not move beyond the proof of concept phase; but 80% of those which are in the transition to scale phase should eventually scale. These ratios are then used to scale the prospective benefits of each project in the portfolio, which are then summed and compared to the costs. The extent to proceed with this approach depends upon the innovation funds' confidence in estimating their loss ratio at each phase.



### Approach 3: Running totals of realised benefits

For portfolios which have a mix of early and later-stage projects, then it is possible that the evidence required to look at project ROI already exists. This could be where benefits have already been realised for some, but scale is being sought – for example, if a project has already improved livelihoods for 10,000 farmers by \$100 each and is now scaling nationwide, then we know that \$1m of benefits are ‘in the bank’. If the total portfolio cost is \$900,000, then the portfolio has already broken even, regardless of other projects.

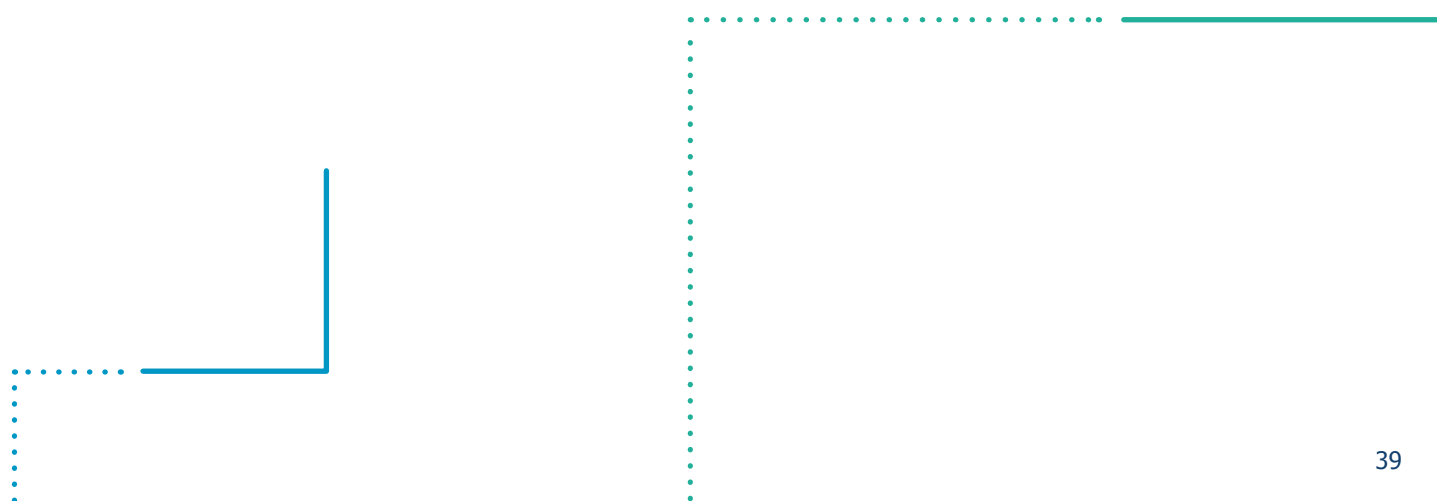
For this approach, a running total of realised benefits should be kept, which is updated as results come in, to track progress towards the overall threshold of positive break-even. This can be as simple as updating results for each project, tracking the beneficiary numbers and the benefits they have received at each stage, and summing this. The extent to proceed with this approach depends upon the innovation funds’ confidence in the estimation of realised benefits of projects to date.

### Summary

There are a number of ways of judging the success of the portfolio, but all come back to aggregating the benefits and the total costs across projects. Once these benefits – irrespective of which project they came from – outweigh the costs, then we can say the portfolio has brought a positive return. This can be done in a number of ways, again moving to more precise estimates as projects mature; early-stage projects require judgements on their probability of success.

The most precise method here is using a running total of realised benefits (Approach 3), which can be triggered within the portfolio’s lifespan. If the portfolio is staggered, this can have implications on the risk appetite within it (which can increase if the ROI is already positive, but decrease if not).

A less precise measure that can be implemented earlier is to look at the break-even values needed for the portfolio, and how many projects would have to be successful for those to be met (Approach 2). The remaining way is by looking at each project’s probability of success specifically – by assigning specific probability weights to each project’s benefits and reach (Approach 1).





# 6. Limitations





## 6. LIMITATIONS

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During the development of the proposed methodology, three key limitations were identified that could affect its ability to increase alignment and to better demonstrate the benefits of innovation investments.

As discussed earlier, we build this around a 3x3 matrix – looking at reach, impact, costs and cost-effectiveness for each of the three phases – proof of concept, transition to scale, scaling.

1. Difficulties in alignment due to the political economy context. There is a challenge of alignment across institutions. As humanitarian innovation funds have a broad range of donors, many of which are governments, with different ministers, there can often be a range of different priorities. Innovation funds also differ in their inclination and capacity to be involved in programmatic decision-making, and have different reporting requirements. Stakeholders expressed notable differences across the funding mechanisms, how 'ring-fenced' this funding is and how much evidence is required to secure this funding. These political challenges may lead to limitations in how far methods can practically be aligned.
2. Challenges on the desire for alignment from actors already developed in their thinking. A similar, but distinct, difficulty in alignment is likely to arise with actors who have already put a greater extent of thinking into the ROI aspects of humanitarian innovation. In these cases, some key informants mentioned that while they were glad to be approached and happy to pass on their inputs and learnings into this research, they were unlikely to make significant adaptations to their existing methodology which they already feel largely meets their needs, and would not be worth changing just to facilitate further sector alignment.
3. Challenges on the demand side of humanitarian innovation. One key informant noted that much of the progression in humanitarian innovation in recent years has come from supply-side improvements, but that this was not yet being reflected in the demand for innovations. Indeed, other stakeholders also noted the challenge in driving adoption of innovations, even when evidence of success had been demonstrated. They said that this is a key barrier to enabling reform within the humanitarian sector more widely. Looking ahead, a key informant noted that even if a convincing evidence base of the ROI of humanitarian innovation were to be developed across stakeholders, this would be unlikely to drive demand by itself – instead this is likely to form only an element (and not necessarily even a central element) that could help to build a broader coalition for increasing the demand side of humanitarian innovation.



# 7. Conclusion

## 7. CONCLUSION

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The development of this report was informed by a review of the literature on ROI and VFM in innovation in humanitarian funding, including institutions' documents of their innovation funding selection criteria, as well as KIIs with a range of actors from donors and innovation funds.

We use this to outline a set of components to support ROI assessment throughout the humanitarian innovation pipeline focusing on the categories of 1) reach, 2) impact, and 3) cost and cost-effectiveness for three key phases of innovation – yielding a simple 3x3 matrix.

For each of these components we suggest indicators, and how they can be measured. We show how these can be compared to existing alternatives to the innovation, and highlight existing case studies or examples to further show how they can be used. We then discuss how these components can form the building blocks of understanding ROI at a portfolio level, with the aim of providing a simple way of assessing this. Follow-on feedback from a subset of interviewees has identified a number of cases in which this proposed methodology can be incorporated by actors in the sector. This was noted in terms of adapting existing selection criteria (with the indicators at earlier phases of particular value), as well as in the development of portfolio-level performance frameworks.

It is therefore hoped that further incorporation of the proposed indicators and measurement approaches can help to align methods across actors and to help build the evidence base within the humanitarian innovation sector, particularly in terms of cost and cost-effectiveness data. Doing so will also enable improved judgement of portfolio-level ROI in the humanitarian innovation system.



# Appendix A



## APPENDIX A – INDICATOR DETAILS

For each of the 14 suggested ROI indicators, set out in Section 5.1, further details are explained below, including: notes on how this can be considered or measured (including links to other useful materials where relevant); the relevant time dimensions to consider for this indicator; the relevant comparisons to make to existing methods of tackling the problem that the innovation is also trying to solve; and examples or case studies that demonstrate this. The case studies use humanitarian examples as far as possible, but where development examples illustrate the point well, these are also used.

### Phase 1: Proof of concept

<b>Indicator 1A.1</b>	Discuss the size of the problem that the innovation is intended to address.	
<b>Phase and component</b>	<b>Phase:</b> Proof of concept	<b>ROI component:</b> Reach
<b>Indicator notes</b>	<p>The purpose of this indicator is to assess whether the innovation targets a problem which reaches a significant number of people who are in need, specifically in populations who align with the focus and niche of this innovation funding.</p> <p>Applicants should consider the 'size of the problem' in terms of the number of countries in which this problem occurs, and what age groups/genders/legal classes are affected. For instance, is it primarily a problem among urban or rural populations? Is it primarily a problem among refugees, internally displaced persons or host communities? These clarifications can then help in providing a very rough estimate of the number of people in need. This is almost certainly not going to come from primary data collected by the applicant, but will more likely come from secondary sources such as the <a href="#">Global Burden of Disease</a> or the <a href="#">Global Humanitarian Overview</a>.</p>	
<b>Time dimension</b>	<p>This indicator should focus on the number of people who are affected by the problem. Specifically, it will be most interesting to seek data on the number of people affected by that problem in the coming years (ie. not only during the period of funding), since the ROI of an innovation will be determined in part by the longer-term need and demand for the innovation. For instance, non-communicable diseases (NCDs) may not traditionally be thought of as a major source of morbidity and mortality in humanitarian contexts (for instance, compared to infectious diseases). However, data showing that NCDs are the cause of a growing fraction of deaths and by how much in humanitarian settings would allow for ROI analyses which better capture the future return on NCD solutions.</p>	



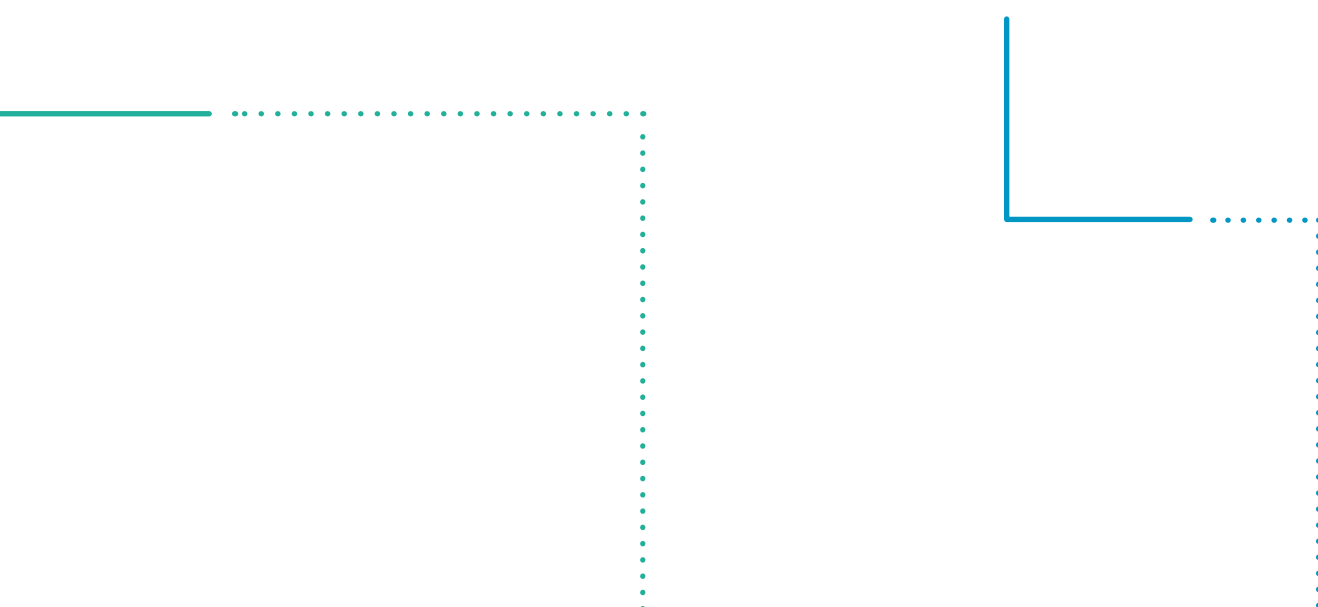
<p><b>Compare that to...</b></p>	<p>What reach do current interventions have, and how does this possibly compare? Does this innovation target the population and problem that are a focus of this innovation fund?</p>	
<p><b>Example/ case study</b></p>	<p>This can hone in on the specific target subset from the wider population of that geographic area. For example, for an innovation aimed at the issue of intimate partner violence (IPV) among 20- to 44-year-old women in Burundi, Ethiopia, Kenya, Tanzania and Uganda, the number of people affected by the problem could be estimated thus:</p> <ul style="list-style-type: none"> <li>• In total in the five targeted countries there are 260 million people</li> <li>• 30% of those people are in the target age range, ≈ 80 million people</li> <li>• 50% of those people are female, ≈ 40 million people</li> <li>• 36% of those people experience IPV, ≈ 14 million people<sup>23</sup></li> </ul>	
<p><b>Indicator 1A.2</b></p>	<p>Provide information on how the innovation will reach a meaningful number of the target population if taken to scale in the future. Include discussion about the potential partners (governments, manufacturers, direct service organisations and others) that would be involved in the future scaling of this innovation, and other actors involved in this problem.</p>	
<p><b>Phase and component</b></p>	<p><b>Phase:</b> Proof of concept</p>	<p><b>ROI component:</b> Reach</p>
<p><b>Indicator notes</b></p>	<p>The purpose of this indicator is to provide evidence that, of the total amount of need identified by Indicator 1A.1, this innovation could plausibly reach a meaningful fraction.</p> <p>For this indicator, applicants should move from talking about the size of the problem overall to demonstrating <b>the fraction of people who are experiencing that problem for whom the proposed innovation would be relevant</b>. This will consider the likely delivery modality through which the innovation would be used.</p> <p>For instance, if the innovation funding is requested to prototype a job aid that would be used by health facility staff to diagnose pre-eclampsia in pregnancy, then what percentage of the people at risk of pre-eclampsia access pre-natal services through a health facility?</p>	
<p><b>Time dimension</b></p>	<p><b>Ex ante versus ex post data:</b> This indicator should focus on the number of people who can reasonably be reached by the innovation if it were taken to scale. It is <b>not</b> asking for information about the expected reach of the proof of concept activities themselves. This is because the ROI of an innovation will be determined in part by the longer-term take-up of an innovation; and reach during a proof of concept stage is not necessarily a good illustration of that longer-term potential.</p>	



	<p>To take an extreme example – the sample size of a vaccine trial is not a good indication of the future reach of that vaccine. A vaccine trial might yield useful information on acceptability (eg. the percentage of people who were offered the vaccine who ultimately accepted it). But that information would need to be combined with wider information on the total population-in-need in order to arrive at a picture of future reach.</p>
<p><b>Compare that to...</b></p>	<p>Does this innovation target the population and problem that are a focus of this innovation fund? What is the scale of the problem this intervention is trying to address? What reach do current interventions have, and how does this possibly compare?</p>
<p><b>Example/ case study</b></p>	<p>An example funded by GCC from a development context highlights<sup>24</sup> a Brazil case study for designing an adapted responsive Caregiving and Early learning (rCEI) programme for children in urban slums. In particular, this highlighted nutrition and early learning problems faced by children aged under five in urban areas; but it distinguishes between the socio-economic groups that access the free government health services through which this innovation is planned to be delivered.</p> <p>“While early childhood care centres (crèches) are commonly used among middle- and upper-class parents, less than 10% of the poor urban population targeted by this project benefit from such services.</p> <p>...Therefore, researchers from the University of Sao Paulo opted for a targeted approach, focusing their intervention towards children below school age and low SES families from the urban settlements in the western region of Sao Paulo.</p> <p>Existing, free government health services (SUS) are primarily used by low SES groups with a reach, according to latest estimates of 55.6% of urban households in Sao Paulo.”<sup>25</sup></p>



<p><b>Indicator 1B.1</b></p>	<p>Provide a theory of change, describing how and why the innovation is likely to generate a positive impact. <i>Provide information on how the key assumptions in the theory of change will be tested during the proof of concept phase.</i></p>	
<p><b>Phase and component</b></p>	<p><b>Phase:</b> Proof of concept</p>	<p><b>ROI component:</b> Impact</p>
<p><b>Indicator notes</b></p>	<p>The purpose of this indicator is to allow applicants to <b>illustrate why they believe the proposed innovation could have an impact on the relevant problems, using a theory of change</b>, and how large that impact could plausibly be.</p> <p>Ideally, this explanation would include past research validating aspects of that theory of change. For instance, if the theory of change is that people are more likely to adopt preventive health actions when those preventive health actions are made into a default (eg. point-of-access water chlorination, fortification of staple foods), then what levels of take-up were observed in previous studies? How large an impact could your innovation have, if taken up at that level?</p>	
<p><b>Time dimension</b></p>	<p>A theory of change should distinguish between the short-term and the long-term mechanisms through which an innovation is likely to generate impacts.</p>	
<p><b>Compare that to...</b></p>	<p>How large an impact do current approaches to this problem have? Do current approaches work equally well for all contexts or subgroups? Does the proposed innovation perform better than current approaches, in general or for certain contexts/subgroups?</p>	
<p><b>Example/ case study</b></p>	<p>Our Humanitarian Innovation Guide provides guidance on producing a theory of change<sup>26</sup> at the proof of concept phase. This includes a guided example for an illustrative project, Project Superwoman,<sup>27</sup> as well as a reference to a list of other examples.<sup>28</sup></p>	







<p><b>Indicator 1C.1</b></p>	<p>Discuss the likely costs and characteristics that will make this innovation affordable relative to alternatives. Include discussion of the three largest likely cost drivers – are these costs variable for each unit output of the innovation (ie. for every one additional output delivered, one additional unit of this input cost is needed?); or are they fixed at another unit (per geographic area, cluster, factory or other unit)? <i>Provide information on how costs will be measured during the proof of concept phase.</i></p>	
<p><b>Phase and component</b></p>	<p><b>Phase:</b> Proof of concept</p>	<p><b>ROI component:</b> Cost and cost-effectiveness</p>
<p><b>Indicator notes</b></p>	<p>The purpose of this indicator is to get the applicant to <b>provide information on how much they believe this innovation could cost</b>, so that this cost can be compared to: (1) the plausible impact, and (2) the costs of current alternative solutions.</p> <p>Providing details of the likely cost drivers (eg. if this innovation relies heavily on certain kinds of staff, certain materials) can help to give a sense of the likely costs of the intervention before a true cost analysis has been done. For example, an applicant might indicate that the primary resource needed to roll out a socio-emotional learning (SEL) intervention through government schools is between two and four days of time from master trainers and the teachers to whom they will deliver SEL training. They could then indicate how this cost input relates to outputs – can one training session enable teachers to deliver SEL content for many years, or will they require refresher training?</p>	
<p><b>Time dimension</b></p>	<p><b>Ex ante versus ex post data:</b> Because this indicator is requested before the proof of concept stage has happened, it is unlikely that applicants will have direct information on the costs of the innovation. Responses should focus on the likely future costs of the intervention if scaled, although people may choose to use cost information from the proposal itself as one source of information for estimating future costs.</p>	
<p><b>Compare that to...</b></p>	<p>What is typical government or NGO spending, per person, on this problem? How much do the current approaches to this problem cost, per person reached? How much do current approaches to this problem cost, per unit of impact achieved?</p>	
<p><b>Example/ case study</b></p>	<p>An initial analysis of the <a href="#">Pre-Pilot Cost Model Findings</a><sup>29</sup> for an IRC project reports:</p> <p>“The largest cost-driver in the Climate GRIP Seed Security Project in Northeast Syria is associated with variable costs for agricultural inputs.</p> <p>“The three most expensive among these agricultural inputs include: seed, fertilizer, and fuel for irrigation. Given that this program focuses on seed testing and seed multiplication, there is potential for costs of seed inputs to decrease over time, per the goal of Activity 2 (seed multiplication) where seed donations could affect the availability of quality seeds, potentially reducing expenditure on these as inputs.</p>	



“The three largest costs (seed, fertilizer, fuel for irrigation) scale with the number of beneficiaries (farmers) served. This implies that the market price of these goods, as well as the quantity purchased per beneficiary, will directly impact the cost-efficiency of the program.

“The largest cost category was Activity 2, comprising 55% of total spending across start-up and implementation. All of these costs scale directly with the number of beneficiaries provided this service. 63% of all implementation costs were supplies and activities for program provision, seed testing, and seed multiplication.”

**Phase 2: Transition to scale**

<b>Indicator 2A.1</b>	Discuss the potential this innovation has to be politically and logistically feasible at scale, and the key challenges to this feasibility.	
<b>Phase and component</b>	<b>Phase:</b> Transition to scale	<b>ROI component:</b> Reach
<b>Indicator notes</b>	<p>The purpose of this indicator is to <b>provide details on how this innovation could be taken to scale</b>, including details of specific scale pathways.</p> <p>Mentioning specific institutions that may need to be partnered with, and where relevant, individuals within those institutions, will strengthen the case of political and logistical feasibility.</p> <p>This indicator asks for a more refined understanding of scale pathways and possible partnerships, leading to Indicator 2A.2 which asks for more refined information on the likely reach of the innovation at scale.</p>	
<b>Time dimension</b>	<b>Ex ante versus ex post data:</b> This indicator should focus on the feasibility of whether the innovation can operate at scale, and the political and logistical partnerships and mechanisms that will be necessary and when, rather than the specific actions that will be undertaken during the transition-to-scale phase.	
<b>Compare that to...</b>	Does this innovation target the population and problem that are a focus of this innovation fund? What is the scale of the problem this intervention is trying to address? What reach do current interventions have?	
<b>Example/ case study</b>	<p>An example from a development context funded by GCC highlights<sup>30</sup> a Bangladesh case study for designing an integrated early child development (ECD) intervention for undernourished children for scale-up through government health services. In particular, this discusses the key partnerships required for success, the challenges of working with these partners and how this will develop going forwards.</p> <p>"Researchers built on long-standing relationships with local partners and particularly targeted the government health sector for partnership in scaling in order to support sustainability and to use existing infrastructure, particularly 13,000 primary healthcare clinics nationally.</p> <p>... There were also anticipated challenges with government staff workload, motivation and expectation of remuneration. Engagement of front-line workers as well as existing supervisors in the process of implementation was important in overcoming these challenges.</p> <p>... Moving forward, researchers plan to continue with intervention scale-up through government services, noting that their role is likely to change with scaling. Specifically, in the next phase of scaling, transitioning responsibility for staff supervision and training to government workers will be evaluated. To reach children at geographic distance, engagement of other partners and new delivery strategies are also being considered (e.g., non-governmental organisation (NGO) sector, media)."<sup>31</sup></p>	



<p><b>Indicator 2A.2</b></p>	<p>Provide initial evidence on the reach of the innovation. Discuss how this is likely to change during the transition to scale phase (if at all).</p>	
<p><b>Phase and component</b></p>	<p><b>Phase:</b> Transition to scale</p>	<p><b>ROI component:</b> Reach</p>
<p><b>Indicator notes</b></p>	<p>The purpose of this indicator is to <b>provide further clarity on the potential reach of the innovation</b>, likely based on experience and data from a proof of concept phase but still focusing on potential reach at scale.</p> <p>For instance, if proof of concept activities demonstrated roughly 50% take-up of this innovation among the test population, what does that imply about the future reach if the innovation were made more widely available? Was demand higher or lower among different segments of the population, and what does this suggest about likely reach if the innovation were scaled up in different countries or contexts? If applicants have more detailed information on potential scale-up pathways or specific partnerships, the type of estimates suggested for indicator 1A.2 could be refined further to focus on specific countries or counterparts where scaling now seems more likely.</p>	
<p><b>Time dimension</b></p>	<p><b>Ex ante versus ex post data:</b> Like 1A.2, this indicator should focus on the number of people who can reasonably be reached by the innovation if it were taken to scale. It is not asking for information about the exact reach in a proof of concept phase, or the expected reach of the transition to scale activities themselves (although that information is likely to be requested elsewhere in a proposal). The ROI of an innovation will be determined by the long-term take-up of an innovation. Actual reach during a previous proof of concept phase (ie. presented ex post) may be useful insofar as it helps demonstrate what level of reach is feasible for eventual scale-up.</p>	
<p><b>Compare that to...</b></p>	<p>Does this innovation target the population and problem that are a focus of this innovation fund? What is the scale of the problem this intervention is trying to address? What reach do current interventions have?</p>	
<p><b>Example/ case study</b></p>	<p>A GSMA-funded innovation REFUNITE<sup>32</sup> highlights that there are 28,664 app users (more than 30% women), with 18,000 on the waiting list. Moreover, the project explains that switching to an app during the pilot reduced the data consumption and increased the users, as well as becoming accessible on the Play store. Moreover, this also mentions the potential to “investigate a zero-rating agreement with local mobile operators to make it even more beneficial for users”.</p>	



<b>Indicator 2B.1</b>	Provide a clear theory of change that draws upon existing evidence (though it need not be causal at this phase) to justify how and why the innovation is expected to generate a positive impact. <i>Provide information on how a causal impact on outcomes will be measured during the transition to scale phase.</i>	
<b>Phase and component</b>	<b>Phase:</b> Transition to scale	<b>ROI component:</b> Impact
<b>Indicator notes</b>	<p>The purpose of this indicator is to have applicants provide firmer details of the theory of change, and a rough <b>estimate of what could be the impact of this innovation for key outcomes</b>.</p> <p>Ideally, this explanation will reference both past research that validates aspects of that theory of change, and details from proof of concept activities which tested the theory of change. For instance, if the theory of change is that people are more likely to adopt preventive health actions when those actions are made into a default (eg. point-of-access water chlorination, fortification of staple foods), what level of take-up has been observed during proof of concept activities? Was this different for different subgroups in the target population? (For example, were more marginalised households who are at greater risk of disease more or less likely to take up this innovation, when offered?)</p> <p>Many resources exist to support quality design for causal estimates of the impact of a humanitarian or innovation specific programme, including:</p> <ul style="list-style-type: none"> <li>• IRC’s <a href="#">Humanitarian Research Toolkit</a></li> <li>• IDIA’s <a href="#">Measuring the Impact of Innovation</a> (development innovation focused)</li> <li>• J-PAL’s <a href="#">Research Resources for Randomized Evaluations</a> (not specific to humanitarian programme or innovation).</li> </ul>	
<b>Time dimension</b>	<p><b>Ex ante versus ex post data:</b> While applicants at this point may have ex post information on plausible impact from proof of concept activities, the focus of this indicator is to get an estimate of plausible impact if this innovation were taken to scale.</p> <p><b>Expected duration:</b> Additionally, at this stage applicants should start to have an idea of the duration of impact that their innovation might have. Some innovations may have impacts which last many years, for instance a vaccine which confers lifetime immunity against a certain disease. But others may have impacts which fade away over time, for instance a livelihoods training programme which increases participants’ income for roughly five years, but after this five-year period the trained skills become less relevant and differences in income disappear. Applicants should share hypotheses about the duration of impacts, and take these into account in the proposed design for estimating causal impact.</p>	



<p><b>Compare that to...</b></p>	<ul style="list-style-type: none"> <li>• How big an impact do current approaches to this problem have? Do current approaches work equally well for all contexts or subgroups? Does the proposed innovation perform better than current approaches, in general or for certain contexts/subgroups?</li> <li>• Where possible, applicants may wish to draw on studies of effect sizes for programmes targeting a certain problem (e.g. <a href="#">this paper on effect sizes in evaluations of international education programmes</a><sup>33</sup>) to set upper and lower bounds for their estimates of plausible impact.</li> </ul>
<p><b>Example/ case study</b></p>	<p>An example from a development context funded by GCC highlights<sup>34</sup> a Bangladesh case study for designing an integrated early child development (ECD) intervention for undernourished children for scale-up through government health services. In particular, this highlights the referenced evidence that strengthens the case of the intervention’s theory of change. It also explains the future research intended to test this project in this context. (Note: the superscript numbers 37–44 denote links to evidenced research provided within the paper.)</p> <p>“Local researchers reviewed integration of responsive caregiving ECD interventions into health and nutrition services in Bangladesh.<sup>37</sup> Findings suggested that existing ECD programmes through government services were either limited in scope or had not been adequately evaluated.<sup>37</sup> Conversely, a number of high-quality local intervention trials had previously demonstrated feasibility and effectiveness of responsive caregiving interventions when implemented at small scale.<sup>38–44</sup> Specifically, previous trials in Bangladesh had demonstrated positive impact of responsive caregiving interventions on early child development outcomes for undernourished children and when integrated with interventions for mothers with depression at small scale.<sup>38–44</sup> To build on this existing local evidence, scale-up and evaluation of interventions implemented in routine services, a team from the International Centre for Diarrhoeal Disease Research Bangladesh (ICDDR,B) funded by Saving Brains completed a cluster randomised trial to assess impact of a responsive caregiving intervention integrated into routine primary health services.”</p>



<b>Indicator 2C.1</b>	Provide initial evidence on the costs and main cost drivers from the proof of concept phase, and how these are expected to change (if at all) during the transition to scale phase. <i>Provide information on how costs will be measured during the transition to scale phase.</i>	
<b>Phase and component</b>	<b>Phase:</b> Transition to scale	<b>ROI component:</b> Cost and cost-effectiveness
<b>Indicator notes</b>	<p>The purpose of this indicator is to get the applicant to <b>provide further information on how much they believe this innovation could cost</b>, so that this cost can be compared to: (1) the plausible impact, to assess cost-effectiveness, and (2) the costs of current alternative solutions, to assess affordability.</p> <p>By the transition-to-scale phase, experience from proof of concept piloting should make it possible to provide more concrete estimates of the costs to deliver this intervention. Applicants should still provide qualitative information on the likely cost drivers (eg. if this innovation relies heavily on certain kinds of staff, certain materials), but should also be able to provide a full estimate of the cost per output (eg. per school reached, per mother served) of the innovation.</p> <p>For further guidance on planning for cost analysis of social interventions, which should be planned for and resourced during the proof of concept phase, several guidance documents are available:</p> <ul style="list-style-type: none"> <li>• General: <a href="#">J-PAL's costing guidelines and templates</a></li> <li>• General: <a href="#">American Institutes for Research's Standards for Economic Evaluation of Education &amp; Social Programs</a></li> <li>• General: <a href="#">Dioptra Tool for Systematic Cost Analysis</a></li> <li>• Nutrition: <a href="#">The Food Assistance Cost-Effectiveness Tool (FACET)</a></li> <li>• Early Childhood Development: <a href="#">The standardized early childhood development costing tool (SECT)</a></li> </ul>	
<b>Time dimension</b>	<p><b>Ex ante versus ex post data:</b> Ex post cost estimates pulled from proof of concept piloting may still be quite different from the at-scale costs of an innovation, and the intent of this indicator is to get applicants to share information about those likely future costs. These future estimates will, of course, be informed by the experience of piloting, particularly in terms of what resources are needed to deliver the innovation. Applicants should then outline specifically how they think the costs or cost-efficiency will change at scale, eg. with bulk pricing on key inputs, or the availability of 'slack' resources from scale partners. The combination of cost information from piloting, along with clearly stated assumptions on how costs and efficiency will change, can be combined to arrive at a rough estimate of the at-scale cost per output of the innovation.</p>	



	<p><b>Expected duration:</b> Most cost-per-output estimates reflect the average cost of delivering a certain service, ie. the total cost of delivering the service to achieve X outputs, divided by Y outputs. However, this average cost may include a component of 'fixed' or 'start-up' costs – such as the cost to develop content for a training module – which do not need to be re-incurred if the innovation were sustained over many years. Best practice is to separate out start-up costs versus recurrent costs of the innovation, and to be explicit about the assumed duration of the programme when calculating costs.</p>
<p><b>Compare that to...</b></p>	<p>What is typical government or NGO spending, per person, on this problem? How much do the current approaches to this problem cost, per person reached? How much do current approaches to this problem cost, per unit of impact achieved?</p>
<p><b>Example/ case study</b></p>	<p>A USAID DIV-funded IRC project conducted cost analysis and scenario modelling to calculate the following key findings:</p> <ul style="list-style-type: none"> <li>- The driving cost of the program are the number of days and type of training provided to teachers to learn SEL practices. Given a limited budget, the team should identify the minimum days of training needed for teachers to effectively learn the SEL practices.</li> <li>- While there are 'returns to scale,' with cost-efficiency improving as the number of children/teachers reached increases, the cost per child is expected to level off at ~1,000 teachers. The team should aim to implement the program to include at least 1,000 teachers to maximize cost-effectiveness if the pilot is showing improvements in student outcomes.</li> <li>- The additional cost per child of the behavioural science-informed activities added minimal cost per child. Thus, activities hypothesized to increase impact of the SEL should be considered.</li> <li>- In comparison to other IRC SEL programs, the SEL kernels have the potential to be highly cost-effective if scaled."</li> </ul>





<p><b>Indicator 2C.2</b></p>	<p>Discuss how the development of these costs will interact with the current and projected evidence on impacts, and what the plausible cost-effectiveness is. <i>Provide information on how plausible cost-effectiveness will be estimated during the transition to scale phase.</i></p>	
<p><b>Phase and component</b></p>	<p><b>Phase:</b> Transition to scale</p>	<p><b>ROI component:</b> Cost and cost-effectiveness</p>
<p><b>Indicator notes</b></p>	<p>The purpose of this indicator is to <b>assess whether the proposed innovation is plausibly more cost-effective</b> (ie, achieves more change in outcomes, per dollar/euro/pound spent) than alternative programmes which target this same problem.</p> <p>To provide an estimate of cost-effectiveness, applicants should combine estimates of likely impact (from indicator 2B.1) with the likely cost of the intervention at scale (from indicator 2C.1). The pure ratio of impact to cost is not the only consideration for assessing the value of an innovation – which is why previous indicators requested further information on the likely variation in impacts across contexts or population groups, and possible variation in costs. However, given extremely scarce humanitarian resources, funders are likely to want to direct funding towards innovations which achieve significantly greater impacts per dollar spent than current practices, which is why this is separated out as its own indicator.</p>	
<p><b>Time dimension</b></p>	<p><b>Ex ante versus ex post data:</b> As with indicators 2B.1 and 2C.1, the emphasis here is on assessing the plausible future cost-effectiveness of this innovation if it were scaled up. As the long-run ROI from an innovation will be determined largely by its cost-effectiveness when taken to scale, this is the most relevant thing to focus on when comparing to the cost-effectiveness of current interventions. Since this indicator is suggested for the transition-to-scale phase, this will therefore represent an ex ante assessment of the plausible cost-effectiveness of this innovation in the future (although both the impact and cost estimates will likely be informed by information sourced ex post from piloting).</p>	
<p><b>Compare that to...</b></p>	<p>What is typical government or NGO spending, per person, on this problem? How much do the current approaches to this problem cost, per person reached? How much do current approaches to this problem cost, per unit of impact achieved?</p>	
<p><b>Example/ case study</b></p>	<p>Food and Agriculture Organization (FAO) case studies on anticipatory action have looked into initial evidence on cost-effectiveness.</p>	





For instance, an innovation in Madagascar<sup>36</sup> where "...analysis showed that a beneficiary household gained USD 78 on average in increased vegetable production and avoided the loss of staple crops. The cost of running the intervention and buying seeds and equipment was USD 31.8\* for each household. This produced a benefit-cost ratio of 2.5, meaning that for every USD 1 invested by FAO, households gained USD 2.5.

"If the annual income of vulnerable households is also considered, it is clear how strong the impact of the early actions was – USD 78 is almost half their annual income."

Moreover, another FAO case study from Bangladesh<sup>37</sup> discusses how a similar analysis may change going forwards:

"Finally, the timing of the project review also matters. Returning to beneficiaries just a month after a major disaster to assess the impact of the aid may be too soon to capture the full benefits that the inputs can and will have in quantitative terms.

"... as the interventions meant to preserve durable assets, most of the benefits are likely to accrue in a longer time frame. Therefore, the benefit-cost ratio is likely to be higher and greater than one over a longer period."

### Phase 3: Scaling

<b>Indicator 3A.1</b>	Provide information on how the political and logistical feasibility of this innovation will be evidenced during this scaling phase.	
<b>Phase and component</b>	<b>Phase:</b> Scaling	<b>ROI component:</b> Reach
<b>Indicator notes</b>	<p>The purpose of this indicator is to <b>provide details on how this innovation will be taken to scale, including details of the specific scale pathway.</b></p> <p>This should also detail the specific institutions that may be partnered with, and where relevant, naming the individuals within those institutions.</p> <p>This indicator asks for a more refined understanding of scale pathway and partnerships, leading to Indicator 3A.2, which asks for more refined information on the reach of the innovation at scale.</p>	
<b>Time dimension</b>	<p><b>Ex ante versus ex post data:</b> This indicator should focus on the political and logistical partnerships and mechanisms that will be necessary to operate at scale and how these will be engaged and evidenced during the scaling phase, as well as any existing evidence of such partnerships and mechanisms.</p>	
<b>Compare that to...</b>	<p>Does this innovation target the population and problem that are a focus of this innovation fund? What is the scale of the problem this intervention is trying to address? What reach do current interventions have?</p>	



<b>Example/ case study</b>	<p>The IRC’s Becoming One project<sup>38</sup> aimed to reduce violence between couples via a 12-week faith-based counselling programme.</p> <p>Political and logistical feasibility was ensured through a two-pronged grassroots and top-down approach. At the grassroots level, a small ground team pursued an organic growth model by engaging directly with churches, faith leaders and communities to recruit and train increasing numbers of faith leaders, so they incorporate Becoming One into their existing counselling programmes. From the top-down approach, the IRC identified and activated high-level, influential “Apex” leaders to champion the project.</p>
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<b>Indicator 3A.2</b>	Provide rigorous evidence on the reach of the innovation, relative to both the scale of the problem and relative to alternatives.	
<b>Phase and component</b>	<b>Phase:</b> Scaling	<b>ROI component:</b> Reach
<b>Indicator notes</b>	<p>The purpose of this indicator is to provide a concrete, evidence-based assessment of the plausible reach of this innovation, informed by experience from transition-to-scale activities. At this stage, applicants should be able to talk about both the ‘market size’ they expect to be able to serve based on fleshed-out scaling plans, and the degree of take-up they expect over time. These estimates of likely reach should correspond with information reported for indicators 3A.1, on the logistical feasibility of reaching different segments of target markets, and any partnerships put in place to achieve that scale.</p>	
<b>Time dimension</b>	<p><b>Ex ante versus ex post data:</b> The ROI of an innovation will be determined by the long-term take-up of an innovation. Therefore, actual reach during a previous transition to scale phase (ie. presented ex post) may be useful in helping to demonstrate what level of reach is feasible for eventual scale-up (eg. an ex ante prediction).</p> <p><b>Expected duration:</b> This indicator should focus on the number of people who can reasonably be reached by the innovation in this scaling phase. Where the actual scaling phase is relatively short (eg. two years to take an innovation to market, but adoption expected to continue increasing for five years), they may provide reach estimates over different periods of time.</p>	
<b>Compare that to...</b>	Does this innovation target the population and problem that are a focus of this innovation fund? What is the scale of the problem this intervention is trying to address? What reach do current interventions have?	



<b>Example/ case study</b>	<p>The IRC’s Becoming One project<sup>39</sup> aimed to reduce violence between couples via a 12-week faith-based counselling programme.</p> <p>When scaling this project, regions with specific demographic criteria were targeted – to a finer degree than that of earlier project phases. For example, this project went beyond just targeting those of Christian faith, and considered which specific denominations of churches were most likely to support take-up. It aimed to identify regions with high incidence of IPV, and a high concentration of particular churches by denomination. This increased granularity of target demographics provides a more accurate estimate of the take-up and likely reach of the programme at scale.</p> <p>Furthermore, it was identified that community faith leaders could deliver the programme via their own networks – driving uptake and adoption. This was a significant advantage when compared to other approaches that did not leverage existing community networks.</p>
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<b>Indicator 3B.1</b>	<p>Provide rigorous evidence on the causal impact of the innovation on the targeted outcome(s), and how this compares relative to alternatives. <i>Provide information on how impact will be measured during the scaling phase, how this will be compared to costs, and calculate cost-effectiveness, comparable to alternatives.</i></p>
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<b>Phase and component</b>	<b>Phase:</b> Scaling	<b>ROI component:</b> Impact
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<b>Indicator notes</b>	<p>The purpose of this indicator is to <b>provide evidence on the causal impact of this innovation, taken from rigorous evaluations.</b> Applicants may choose to include information on multiple outcomes, if the innovation is demonstrated to affect multiple outcomes. They may also include impact estimates for both primary outcomes of interest (eg. reductions in intimate partner violence) and secondary outcomes (eg. attitudes towards IPV) which are upstream of primary outcomes of interest.</p> <p>Many resources exist to support quality design for causal estimates of the impact of a humanitarian programme, including:</p> <ul style="list-style-type: none"> <li>• J-PAL’s <a href="#">Research Resources for Randomized Evaluations</a> (not humanitarian-specific)</li> <li>• IRC’s <a href="#">Humanitarian Research Toolkit</a></li> </ul>
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<b>Time dimension</b>	<p><b>Ex ante versus ex post data:</b> At this stage, applicants are expected to have causal estimates of impact, taken ex post from an evaluation of the innovation. If well-designed, that impact evaluation’s target population should be reasonably similar to the expected target population for scale-up, such that the impact estimate provides a good basis for ex ante inferences about likely impact if scaled up. However, if the intervention is being scaled among a population that is significantly different from that in which it was evaluated, the generalisation of that ex post data for future scale should be justified. A framework for assessing the generalisability of impact estimates across contexts and populations can be found <a href="#">here</a>.</p>
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	<p><b>Expected duration:</b> Additionally, at this stage applicants should start to have an idea of the duration of impact that their innovation might have. Some innovations may have impacts which last many years, for instance a vaccine which confers lifetime immunity against a certain disease. But others may have impacts which fade away over time, for instance a livelihoods training programme which increases participants’ income for roughly five years, but after this five-year period the trained skills become less relevant and differences in income disappear. Applicants should share hypotheses about the duration of impacts, and take these into account in the proposed design for estimating causal impact.</p>
<p><b>Compare that to...</b></p>	<p>How big an impact do current approaches to this problem have? Do current approaches work equally well for all contexts or subgroups? Does the proposed innovation perform better than current approaches, in general or for certain contexts/subgroups?</p>
<p><b>Example/ case study</b></p>	<p>An example from a development context funded by GCC highlights<sup>40</sup> a Colombia case study for designing an enhanced rCEI programme through government services. In particular, this case study sets out the evidence and compares to the existing method of early childhood learning.</p> <p>“At follow-up, positive effects were noted on child development including improved cognition (~+0.15 SD), receptive language (0.11 SD), expressive language (0.14 SD) and gross motor scores (0.14 SD) compared with active controls using Bayley-III. Reductions in stunting (0.13 SD) and improvement in parental practices and caregiving environment were also noted. These effects were noted even though exposure in the intervention group was lower than intended... Furthermore, the estimated effect of centre-based care compared with home-based care is, on average, only about 0.05 SD.”</p>

<p><b>Indicator 3C.1</b></p>	<p>Provide rigorous evidence on the costs per output and cost drivers, and how these are expected to change (if at all) during the scaling phase. <i>Provide information on how costs and cost drivers will be measured during the scaling phase.</i></p>	
<p><b>Phase and component</b></p>	<p><b>Phase:</b> Scaling</p>	<p><b>ROI component:</b> Cost and cost-effectiveness</p>
<p><b>Indicator notes</b></p>	<p>The purpose of this indicator is to provide a more precise estimate of the cost per output for this innovation, so that this cost can be compared to: (1) the measured impact of the programme, to assess cost-effectiveness, and (2) the costs of current alternative solutions, to assess affordability. By the scaling phase, experience from extensive piloting and evaluation should make it possible to provide increasingly realistic estimates of the costs to deliver this innovation.</p>	



	<p>Based on those experiences, applicants should also provide qualitative information on the observed cost drivers (eg. availability of qualified master trainers was critical, and took up many resources), as well as providing a full estimate of the cost per output (eg. per school reached, per mother served) of the innovation.</p> <p>For further guidance on planning for cost analysis of social interventions, including some which touch on estimating at-scale costs based on analysis from an impact evaluation, see:</p> <ul style="list-style-type: none"> <li>• General: <a href="#">J-PAL's costing guidelines and templates</a></li> <li>• General: <a href="#">American Institutes for Research's Standards for Economic Evaluation of Education &amp; Social Programs</a></li> </ul>
<p><b>Time dimension</b></p>	<p><b>Ex ante versus ex post data:</b> Ex post cost estimates pulled from evaluations provide credible estimates of the costs of delivering that innovation, at that scale and in that context. However, the intent of this indicator is still to get applicants to make informed predictions about future costs, particularly since impact evaluations are often done at an artificially low scale relative to actual programme implementation. Applicants may provide ex post cost estimates directly from an evaluation, but may also wish to outline specifically how they think the costs or cost-efficiency will change with even greater scale – eg. with bulk pricing on key inputs or the availability of 'slack resources' from scaling partners. The combination of detailed cost information from an evaluation, along with clearly stated assumptions on how costs and efficiency will change, can be combined to arrive at reasonably precise estimates of the at-scale cost per output of the innovation.</p> <p><b>Expected duration:</b> Most cost-per-output estimates reflect the average cost of delivering a certain service – ie. the total cost of delivering the service to achieve X outputs, divided by X outputs. However, this average cost may include a component of 'fixed' or 'start-up' costs – such as the cost to develop content for a training module – which do not need to be re-incurred if the innovation were sustained over many years. Best practice is to separate out start-up costs versus recurrent costs of the innovation, and to be explicit about the assumed duration of the programme when calculating costs.</p>
<p><b>Compare that to...</b></p>	<p>What is typical government or NGO spending, per person, on this problem? How much do the current approaches to this problem cost, per person reached? How much do current approaches to this problem cost, per unit of impact achieved?</p>
<p><b>Example/ case study</b></p>	<p>The IRC Becoming One programme was a domestic violence protection project involving a 12-week faith-based counselling programme aimed to reduce violence among couples.</p> <p>At this stage of the innovation pipeline, the specific cost per faith leader, per couple and per visit per couple was established.</p>



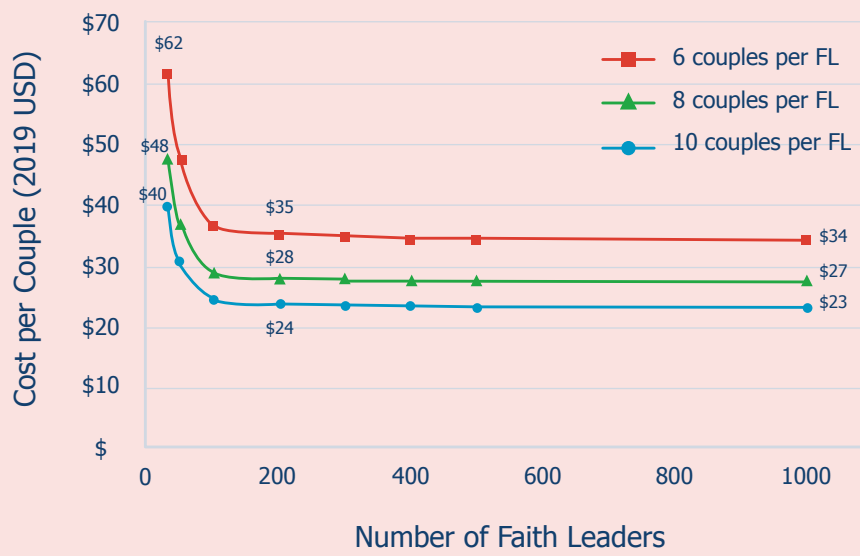
	<p>Other cost drivers were identified, particularly that the “cost-effectiveness of the program is contingent on the availability of [volunteer Faith Leaders]” which could hinder the project’s future scaling capacity. Further to this, as the hiring of faith leaders was identified as a key cost driver, it was noted that “very large cost-effectiveness gains (dropping to as low as \$30 per couple) [could be made] with an increase in scale through additional rounds of implementation utilizing the same faith leaders each round.”</p>	
<p><b>Indicator 3C.2</b></p>	<p>Provide rigorous evidence on the cost-effectiveness of the intervention, and how this is expected to change (if at all) during the scaling phase. <i>Discuss how this compares to alternative interventions which target the same outcome. Provide information on how cost-effectiveness will be measured during the scaling phase.</i></p>	
<p><b>Phase and component</b></p>	<p><b>Phase:</b> Scaling</p>	<p><b>ROI component:</b> Cost and cost-effectiveness</p>
<p><b>Indicator notes</b></p>	<p>The purpose of this indicator is to <b>assess whether the proposed innovation is demonstrated to be more cost-effective</b> (ie. achieves more change in outcomes, per dollar/euro/pound spent) <b>than alternative programmes</b> which target this same problem.</p> <p>To provide an estimate of cost-effectiveness, applicants should combine causal estimates of impact (from indicator 3B.1) with the likely cost of the intervention at scale (from indicator 3C.1). The pure ratio of impact to cost is, of course, not the only consideration for assessing the value of an innovation – which is why previous indicators also focused on affordability, variation in effects, and so on. However, given extremely scarce humanitarian resources, funders are likely to want to direct funding towards innovations which achieve significantly greater impacts per dollar spent than current practices, which is why this is separated out as its own indicator.</p>	
<p><b>Time dimension</b></p>	<p><b>Ex ante versus ex post data:</b> As with indicators 3B.1 and 3C.1, the emphasis here is on assessing the plausible future cost-effectiveness of this innovation if it were scaled up. As the long-run ROI from an innovation will be determined largely by its cost-effectiveness when taken to scale, this is the most relevant thing to focus on when comparing to the cost-effectiveness of current interventions. Since this indicator is suggested for the scaling phase, this will likely represent an ex post estimate of the causal impact of the innovation from an evaluation, combined with an ex ante estimate of the likely future cost if the intervention is further scaled (although both the impact and cost estimates will likely be informed by information sourced ex post from piloting).</p>	
<p><b>Compare that to...</b></p>	<p>What is typical government or NGO spending, per person, on this problem? How much do the current approaches to this problem cost, per person reached? How much do current approaches to this problem cost, per unit of impact achieved?</p>	



**Example/  
case study**

The IRC’s Becoming One project<sup>42</sup> investigated the cost-efficiency changes of scaling the 12-week faith-based counselling programme aimed at reducing violence among couples, beyond the pilot’s 140 faith leaders. As shown in the figure below, taken from the Becoming One Protection Scenarios Analysis, different scaling paths were identified with a changing number of couples per faith leader. As faith leaders were volunteers in the programme, the report identified the increased burden of more couples per session – thus it is important to highlight the nuances of specific project cost-effectiveness metrics.

**Figure 1: Average Cost per Couple Across Scale**







# Appendix B



## APPENDIX B – SEMI-STRUCTURED INTERVIEW GUIDE

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1. What do they consider innovation? How do they flow money into innovation (and get a sense of do they have 'phases' of innovation funding)?
2. How do they choose what innovations to advance, scale up and take forward?
  - 2.1. Who do they feel they need to convince? What do they need to convince them (what proof points are needed)?
  - 2.2. When is that needed?
  - 2.3. Do they have a 'plan for failure'? Are they expecting some innovations not to work? How and when do those get stopped?
3. What is the current thinking or processes for ROI and VFM in your institution?
4. Then how does that ROI and VFM thinking link in with the innovation?
  - 4.1. What are the constraints they face in linking ROI/VFM to innovation?
  - 4.2. What would they like to do if there were no obstacles?
5. Positive/negative examples – when did you have ROI info/evidence you used to justify an innovation decision (e.g., scaling or stopping)? When did you decide without evidence?
6. What's changed in the last ten versus 20 years – has it substantially changed?
  - 6.1. Did you see anyone try to progress this during the Grand Bargain discussions?



# Appendix C



## APPENDIX C – INNOVATION FUND UNABRIDGED SELECTION CRITERIA

**Note:** Selection criteria are condensed, and then colour-coded by **Reach**, **Impact** and **Cost**.

Secondary considerations are also highlighted: namely, of niche (shown in *italics*) and sustainability (shown in underline).

Unabridged selection criteria

Institution	CHIC	DRA	DRA
Programme	'Seed' and 'Transition To Scale'	DIF 1 2018	DIF 3 – Local Call
Link	<a href="#">Creating Hope In Conflict: A Humanitarian Grand Challenge</a>	<a href="#">Dutch Relief – Innovation Proposal</a>	<a href="#">Dutch Relief – Uganda Local Call</a>
	<p><b>Impact</b></p> <ul style="list-style-type: none"> <li>Does the proposed solution have the potential to generate life-saving or life-improving assistance for vulnerable people in hard-to-reach locations in conflict-affected contexts? (<i>Seed ONLY</i>)</li> <li>Has proof of concept been demonstrated for the proposed solution? (<i>Transition To Scale ONLY</i>) <ul style="list-style-type: none"> <li>Proof of concept: evidence generated in a controlled or limited setting of (1) improved assistance and/or reduction of other significant barrier(s) to obtaining assistance in conflict-generated contexts; and (2) demand for the solution.</li> </ul> </li> <li>Is the proposed solution appropriate for wider implementation in conflict settings?</li> <li>Does the proposed idea apply to the most vulnerable in conflict-affected areas and have the potential to address inequalities?</li> </ul>	<p>Relevance of the innovation</p> <p>The proposed solution should be clearly linked to needs on the ground, answering a gap in the sector. The innovation should be based on a sound problem analysis, contextual awareness and intervention logic.</p> <p>Proposed Innovation</p> <p>Justification of the 'innovation logic', including description of the process, targets, indicators and monitoring.</p> <p>Efficiency and effectiveness / value for effort</p> <p><b>The innovation must be disbursed with a minimum of bureaucracy, the proposed innovation must be timely and cost-efficient to gain efficiencies in delivering assistance. Furthermore, the proposed innovation must have the potential to generate life-saving or life-improving assistance.</b></p>	<p><b>Four main guiding principles</b> should be at the centre of the design of the projects:</p> <ul style="list-style-type: none"> <li><b>Relevance and local leadership:</b> The proposed solution should be clearly linked to needs on the ground, <i>answering a gap in the sector</i>. The innovation should be based on a sound problem analysis, contextual awareness and intervention logic. Rather than an innovation looking for a problem, it is critical to show how the innovation responds to a challenge that is meaningful for the wellbeing of the targeted communities and how it is mindful of the local circumstances. <b>You need to be thinking about the impact you want to create</b> and to demonstrate how the rights and interests of affected people are respected. The use of active user-engagement and user-centric design processes is encouraged. Applicants are also requested to demonstrate how local knowledge and expertise are used to guide the design.</li> </ul>



<ul style="list-style-type: none"> <li>Does the proposed solution adhere to humanitarian principles?</li> <li>Does the proposed solution have the potential to affect systems change in the humanitarian sector?</li> </ul> <p><b>Integrated Innovation</b></p> <ul style="list-style-type: none"> <li>Is the innovation bold?</li> <li>How well does the proposed idea integrate scientific/technological, social and business innovation?</li> <li>To what extent will affected people be meaningfully engaged in identifying the problem and solution, designing, testing and iterating of the proposed innovation?</li> </ul> <p><b>Project Execution Plan</b></p> <ul style="list-style-type: none"> <li>Is the project execution plan designed to demonstrate proof of concept of the idea within the time and resources provided? (Seed ONLY)</li> <li>Proof of concept: evidence generated in a controlled or limited setting of: (1) improved assistance, lower reliance on importations, and/or reduction of other significant barrier(s) to obtaining assistance in conflict-generated contexts; and (2) potential to be implemented at scale in other contexts.</li> <li>Does the proposal reflect a well-developed plan for scale and sustainability, including commitments from key stakeholders and partners needed to proceed along a path to scale and sustainability? (Transition To Scale ONLY)</li> </ul>	<p>The proposal should contain a realistic timeline and budget. The costs need to be explained in terms of deliverables, with relevant justification given for any high expenditure on support costs.</p> <p>Transparency, adoption and scalability</p> <p>The proposed innovation should be as transparent as possible. Furthermore, the innovation should be appropriate to scale and used by others to improve humanitarian performance.</p> <p><i>Localisation</i> The DRA supports building local capacities and partnerships. Where possible, local actors should be involved in the innovation process.</p> <p><i>Collaboration</i> To what extent is the proposal the result of a joint and effective coalition from various types of stakeholders?</p> <p><i>Accountability</i> The innovation must be accountable towards the affected people, the donor and the Dutch public.</p>	<ul style="list-style-type: none"> <li><b>Level of innovation:</b> Is the innovation incremental or disruptive? Is it an adaptation, a geographical innovation, a transition of a known method or product to a new sector, a complete invention?</li> <li><b>Potential for impact:</b> The proposed innovation must first and foremost have the potential to generate life-saving and life-improving assistance. It must also already outline next steps: <u>What are the sustainability perspectives for this innovation?</u> How many people will benefit from it during the pilot and how many more could benefit if it is successful and scaled? Applicants need to be able to articulate how the investment level justifies the expected outcomes or how an initial investment will later become a cost-efficient approach. The proposal should contain a realistic timeline and budget. In order to maximise potential for impacts, applicants must commit to principles of transparency, open-source and knowledge-sharing.</li> <li><b>Feasibility:</b> The main parameters under scrutiny will be technical soundness, team capacity and realistic objective-setting. The call recognises an element of unknown and risk-taking inherent to the innovation process but encourages applicants to include risk mitigation measures and to minimise exposure and ensure Do No Harm for beneficiaries.</li> </ul>
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<ul style="list-style-type: none"> <li>• Is there a connection with the private sector that will increase the likelihood of success?</li> <li>• Is the plan to monitor and evaluate impact sufficiently robust, in order to draw the appropriate conclusions by the end of the funding?</li> <li>• How well does the proposal take into account gender equality, environmental sustainability, and human rights and inclusion?</li> <li>• <u>How well does the proposal ensure adherence to standard international best practice in the proposed sector / activity and Do No Harm approaches?</u></li> <li>• Is there evidence provided to indicate the likelihood of success, and a rigorous assessment of project risks, corruption risks, risks of diverting aid, safety and security risks, and associated mitigation strategies? (This should include privacy and data privacy of affected people, where relevant, and consider staff, affected people, the wider community and any other stakeholders.)</li> </ul> <p><b>Leadership Capability to Champion Change</b></p> <ul style="list-style-type: none"> <li>• Do the project lead and key team members have the commitment and leadership potential needed to bring solutions to scale?</li> </ul>	<p>Consolidated learning and evidence Strong monitoring and evaluation should lead to learning and evidence. New knowledge should be generated and shared, either on enhanced evidence base around the innovation or around the performance of the innovation itself. A strategy for dissemination of the information is part of the proposal.</p> <p>Risk A thorough risk analysis with appropriate mitigation measures needs to be part of the proposal to ensure that innovations take the 'Do No Harm' principle into account, as well as other potential risk factors.</p>	
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<ul style="list-style-type: none"> <li>• Are the proposed project lead and/or key team members appropriately trained, experienced and positioned to carry out the proposed work in a humanitarian context?</li> <li>• To what extent has the project lead and/or key team members demonstrated the ability to draw on the expertise of the private sector?</li> <li>• To what extent has the project lead and/or key members demonstrated the ability to engage with other relevant humanitarian actors?</li> <li>• Have the project lead and/or key team members demonstrated the ability to understand and meet the needs of affected people in the context?</li> <li>• To what extent is the project lead and/or team from/connected to the local community they seek to serve? (Note: locally-led innovations will be given preference, see definition in section 2.1)</li> </ul> <p><b>Value for Effort</b></p> <ul style="list-style-type: none"> <li>• Are the scope of the proposed work, the project team’s capacity, and the funds requested reasonable and commensurate with the proposed proposal goals?</li> <li>• Does the proposal represent a particularly thoughtful and efficient use of resources?</li> </ul>		
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Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

Institution	Elrha	Grand Challenges Canada	Global Innovation Fund
Programme	Journey to Scale	Transition to Scale	Pilot
Link	<a href="#">HIF Scale Handbook</a>	<a href="#">Grand Challenges Canada – Transition to Scale</a>	<a href="#">Global Innovation Fund – Stage of Funding</a>
	<p>1. A well-understood problem</p> <ul style="list-style-type: none"> <li>a. What is the problem your innovation is addressing?</li> <li>b. Where does your understanding of the problem and its importance come from?</li> </ul> <p>2. An Impactful Solution</p> <ul style="list-style-type: none"> <li>a. What is your innovation?</li> <li>b. How have you tested, developed and improved your innovation?</li> <li>c. What evidence do you have that your innovation can deliver real-world impact?</li> <li>d. What are the ethical considerations related to your innovation?</li> </ul> <p>3. Readiness for Journey to Scale</p> <ul style="list-style-type: none"> <li>a. What impact could your innovation have on the problem at scale?</li> <li>b. How do you envisage scaling up your innovation?</li> </ul>	<p>1. Boldness</p> <ul style="list-style-type: none"> <li>• Is the solution presented by the innovator bold / innovative?</li> <li>• Is the solution designed to meet the specific needs of people who are unserved or underserved by current approaches?</li> </ul> <p>2. Impact</p> <ul style="list-style-type: none"> <li>• Is the innovation reaching people who are unserved or underserved?</li> <li>• Is the innovation achieving significant or transformational impact on the lives of each person reached?</li> <li>• Does the proposed scope of work enable the innovator to reach significantly more people and/or have greater impact on each person reached?</li> </ul> <p>3. Scale</p> <ul style="list-style-type: none"> <li>• Is there a realistic and sustainable path to achieve scale?</li> <li>• Will the activities outlined in the proposed scope of work allow the innovator to achieve significant progress on its path to scale?</li> </ul>	<p><b>Pilot</b></p> <p>Stage of development Pilot innovations are at an early stage but you have a credible plan for how it can be developed and tested in a real-world setting.</p> <p>Evidence We value any relevant evidence or research findings that demonstrate why the innovation is needed, such as evidence of customer demand or interest in the innovation. We do not expect that strong evidence already exists to prove the value of the innovation, but we do need a clear rationale for why the innovation could have a greater impact or be more cost-effective than existing approaches.</p> <p>Potential to scale The innovation has the potential to be politically and logistically feasible at scale, or has the potential to scale commercially as evidenced by customers’ willingness to pay. At pilot stage there may be one or more potential pathways for scaling the innovation.</p>





Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

<p>4. <i>The right team for scaling</i></p> <ul style="list-style-type: none"> <li>a. <i>How is your team organised?</i></li> <li>b. <i>What additional skills and capacity will your team need to scale effectively?</i></li> <li>c. <i>Does your team have the autonomy to explore a range of relevant pathways to scale?</i></li> </ul> <p>5. <i>Relevant partners and networks</i></p> <ul style="list-style-type: none"> <li>a. <i>Do you have any champions committed to helping you scale your innovation?</i></li> <li>b. <i>Do you have any close partners and how formalised is each relationship?</i></li> <li>c. <i>Will you need to partner with anyone else to achieve impact at scale?</i></li> </ul>	<p>4. <u>Sustainability</u></p> <ul style="list-style-type: none"> <li>• <u>Is there a clear and realistic path to reach financial sustainability once the last Grand Challenges Canada dollars have been spent?</u></li> <li>• <u>Does the team have the commitment from appropriate strategic partners and funding partners to provide for the long-term sustainability of the innovation?</u></li> </ul> <p>5. <i>Team</i></p> <ul style="list-style-type: none"> <li>• <i>Is the team led by people with relevant lived experience and connections to the communities they are seeking to serve?</i></li> <li>• <i>Does the team have the capacity, skills and ability to implement their proposed vision and strategy to achieve impact, sustainability and scale?</i></li> <li>• <i>Does the team have the capacity, skills and ability to convert potential partners into strategic partners and funders?</i></li> <li>• <i>Does the team have the capacity, skills and ability to learn from the proposed scope of work?</i></li> </ul> <p>6. <i>Value Add</i></p> <ul style="list-style-type: none"> <li>• <i>Does the innovation add value to Grand Challenges Canada's portfolio?</i></li> <li>• <i>Does Grand Challenges Canada offer any 'more-than-money' access to resources, networks and/or expertise that the innovator requires at this stage?</i></li> <li>• <i>Is Grand Challenges Canada well-placed to support the innovator in bringing in strategic partners and funding?</i></li> </ul>	<p>Use of funds  <b>Investment at the pilot stage is focused on testing core assumptions around operational, social and financial viability. This could include initial research and development, introducing an innovation to target customers, assessing user demand and willingness to pay, and documenting social outcomes and costs of spreading the innovation.</b></p> <p><b>Test and Transition</b>          Stage of development</p> <p>For test and transition investment your innovation has already shown promise of success at a small scale, and you have some information on your operational, social and <b>financial viability</b> which you want to solidify before you scale.</p> <p>Evidence          You have a clear rationale for why the innovation could have a greater impact at scale than other approaches. For innovations with a commercial pathway to scale, this will include measures of customer demand and willingness to pay. For public sector or hybrid pathways to scale we expect prior evidence from pilot-level implementation (this need not have been previously funded by GIF).</p>
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Unabridged selection criteria. Colour-coded by: Reach, Impact and Cost. Also, secondary considerations of niche and sustainability.

			<p>Potential to scale                  The innovation has the potential to be politically and logistically feasible at scale, with demonstrable interest from public sector scaling partners or a credible plan to raise capital for commercial innovations.</p> <p>Use of funds                  Investment at the test and transition stage is intended for innovators that require support for continued growth or for generating rigorous evidence on whether the innovation can achieve social impact.</p> <p><b>Scale</b>                  Stage of development                  For scale investment your innovation should have a clear evidence base and a credible plan for scaling to reach millions of people which is logistically, politically and financially feasible.</p> <p>Evidence                  Your innovation already has evidence of impact, cost-effectiveness, and implementation feasibility or market viability in at least one context.</p>
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Unabridged selection criteria. Colour-coded by: Reach, Impact and Cost. Also, secondary considerations of niche and sustainability.

			<p>Potential to scale There are credible plans to advance the innovation towards scale including how it can be sustainably financed. This includes a vision of how the innovation can achieve further scale with a view to reaching millions of people in the long term if successful.</p> <p>Use of funds Activities at the scale stage are likely to include working with partners who will help scale the innovation beyond our support (e.g., investors, existing large commercial firms, developing country governments). Investment may also be used for adapting and expanding innovations to different contexts or assessing ways to drive cost-effectiveness while scaling.</p>
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Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

Institution	GSMA	Norway	IRC
Programme	Innovation Fund for Anticipatory Humanitarian Action	Humanitarian Innovation Programme (both Innovation Lab and Scaling Grant schemes)	Innovation to Scale Pipeline
Link	<a href="#">GSMA Innovation Fund for Anticipatory Humanitarian Action</a>	<a href="#">HIP Norway evaluation criteria 2022</a>	Attachment
	<p><b>Projects should seek to demonstrate:</b></p> <ul style="list-style-type: none"> <li>How mobile-enabled technology can be innovatively applied to support communities to anticipate and prepare for crises.</li> <li>How mobile-enabled technology can be used to make anticipatory action ‘smarter’ (by using feedback, learning and adapting to deliver a more targeted response).</li> <li>How anticipating crises through technology can inform more timely humanitarian responses.</li> <li>How anticipatory humanitarian mobile-enabled solutions can be inclusive and widespread.</li> <li>Which business models enable anticipative digital solutions to <u>be adopted sustainably</u> and <b>at scale</b>.</li> <li>What role mobile operators and other digital actors can play in developing, testing, delivering these solutions, supporting proven interventions to go to scale.</li> </ul>	<ol style="list-style-type: none"> <li><b>Level of innovation</b> The solution represents something completely new or exists in other sectors but is new in the humanitarian sector.</li> <li><b>Impact (including evidence from pilot testing for scaling applications)</b> The innovation project will impact people affected by humanitarian crises: they receive help for things they have not received help before, or they will receive better and more efficient help. The project addresses an identified problem/need that many people/organisations experience (i.e., many people would want to implement a solution to the problem).</li> <li><b>Enabling environment and organisational readiness</b> The project is strategically rooted within the organisation(s) and with managers from the involved offices/units.</li> </ol>	<p><b>Idea Stage</b></p> <ol style="list-style-type: none"> <li><b>Problem and Scale:</b> Identify a problem that affects many people.</li> <li><b>Impact and Scale:</b> The solution can increase impact per dollar or scale.</li> <li><i>Product market fit: Identified targets for innovation</i></li> <li><i>Airbel Niche: niche role and space are not too crowded.</i></li> <li><i>Market Gap: A solution doesn't exist or one does and needs incubation.</i></li> </ol> <p><b>Prototype Stage</b></p> <ol style="list-style-type: none"> <li><b>Product market fit / Impact:</b> A majority of clients indicate prototype is desirable/useable.</li> <li><i>Market Gap: The solution fills a gap in the market.</i></li> </ol> <p><b>Pilot Stage</b></p> <ol style="list-style-type: none"> <li><b>Scale:</b> Data shows intervention can reach meaningful number of the target population.</li> <li><b>Impact and plausible cost-effectiveness:</b> Improvements in primary outcomes and/or greater potential for scale than other solutions.</li> </ol>



Unabridged selection criteria. Colour-coded by: Reach, Impact and Cost. Also, secondary considerations of niche and sustainability.

<ul style="list-style-type: none"> <li>• What partnerships at local and regional levels are required for improving and enabling conditions (infrastructure, access to mobile, regulation, domestic support) so that innovative digital solutions can be adopted, sustained and scaled.</li> <li>• Their understanding of the policy and regulatory issues in the region and a clear understanding of the regulations that will govern project implementation.</li> <li>• Their understanding of the mobile connectivity landscape in the region of implementation.</li> </ul>	<p><i>The project group has the roles, functions, technical expertise and institutions necessary to undertake the project. The organisation has made clear plans for how to develop and implement the project.</i></p> <p>4. Inclusiveness Members of affected populations are an integral part of the project team, from the needs assessment through to scale.</p> <p>5. Technological feasibility The proposed project/solution is technologically feasible. The proposed project/solution represents an appropriate use of the technology for the specific humanitarian context.</p> <p>6. <i>Partnerships Innovation Lab:</i> <i>The project seeks expertise from and cooperation with the private sector to solve the given challenge and shows a willingness to carry out such a process (needs analysis, open market dialogue and a competitive procurement process). The application clearly defines where the private sector can contribute to the project but is open to who their partner may be. Scaling: The innovation has been developed in a humanitarian-private innovation partnership.</i></p>	<p><b>Rigorous Evaluation Stage</b></p> <ol style="list-style-type: none"> <li>1. Impact: Project has meaningful improvements.</li> <li>2. Cost effectiveness and scale: meaningful improvements in cost-effectiveness compared with existing solutions</li> </ol> <p><b>Scale Stage</b></p> <ol style="list-style-type: none"> <li>1. Scale: The intervention can scale to a meaningful number of people.</li> <li>2. Sustainability: <u>'doers' and 'payers' are identified, infrastructure for intervention is confirmed, key stakeholders are aligned, solution is viable in context.</u></li> </ol>
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Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

		<p><i>The innovation is planned scaled through a humanitarian-private partnership. The partnerships in the project contribute to private sector capacity and know-how benefitting humanitarian response.</i></p> <p><b>7. Scaling potential</b>                  The organisation clearly aims to scale the solution to reach more people, new geographical areas, or new organisations. They have a plan for how to continue the project after the HIP Norway project period. The project is sustainable and has a learning potential for the sector. The vision of the project is in strategic alignment with organisational priorities.</p>	
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Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

Institution	USAID DIV	WFP
Programme	Open	Innovation Accelerator
Link	<a href="#">U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT FY2023 Development Innovation Ventures</a>	<a href="#">World Food Programme – Innovation Accelerator – Apply</a>
	<p><b>Pilot</b></p> <p>1. Evidence of impact</p> <p>All applicants must make a credible case of the potential benefit to individuals living in poverty. Rigorous evidence of causal impact is not required at this stage; however, applicants must present a strong theory of change and justify how and why the innovation is likely to generate a positive development impact. Applicants should articulate plans to collect data during the award period that would test key assumptions in the theory of change. While not required, applications for innovations with some existing piloting or that have a theory of change that is backed by rigorous evidence of causal impact are stronger. For innovations that have not already undergone piloting, applicants must explain the questions that the piloting is designed to answer and how they intend to find the answers to those questions. Additional requirements for demonstrating evidence of impact depend on the innovation’s proposed pathway to scale, as follows:</p> <p>Public Pathway to Scale: Applicants should include plans to iterate the innovation so that it will be ready for rigorous testing of causal impact and cost-effectiveness following the end of the award period.</p> <p>Commercial Pathway to Scale: Applicants should include plans to assess potential customers’ demand and willingness to pay or to conduct initial market testing. Applicants do not need to show revenue or paying customers at this stage.</p> <p>Hybrid Pathway to Scale: Applicants should include plans to assess potential customers’ demand and willingness to pay or to conduct initial market testing. Applicants do not need to show revenue or paying customers at this stage. To the extent that applicants will rely on public funding as a significant portion of their revenue, they should also include plans to iterate the innovation so that it will be ready for rigorous testing of causal impact and cost-effectiveness following the end of the award period.</p>	<p>Impact for the people we serve and potential to reach Zero Hunger</p> <p>Feasibility, including time to deliver impact, technology maturity, and user traction</p> <p>Level of innovation</p> <p><u>Financial sustainability with a clear business case that does not rely on WFP funding</u></p> <p><i>Team strength, experience, and commitment</i></p>



Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

## 2. Cost-effectiveness

Applicants should articulate why their innovation has the potential to be cost-effective at scale. This articulation should include a discussion of the likely costs and cost-effectiveness of the innovation relative to alternative solutions including the status quo and a projection of the major drivers of cost and cost-effectiveness of the innovation when it is at scale. DIV recognises that Stage 1 innovations may not have robust financial forecasting data but wants to understand the applicant's perspective on the potential for cost-effectiveness should the evidence demonstrate impact.

## 3. Potential for scale and financial sustainability

All applicants, regardless of their pathway to scale, must demonstrate that their innovation has the potential to reach millions of lives sustainably. Applicants must describe how they expect the innovation to be financially sustained at scale and should make the case that there is potential for someone to pay for the innovation at scale. Applicants should also identify the types of partners that would be critical to scale an innovation and the types of partners that would pay for it (e.g., government, manufacturers, other direct service organisations, etc.). If relevant, applicants should describe the extent to which relationships with partners have already been built.

### Testing and Positioning for Scale

#### 1. Evidence of impact

Public Pathway to Scale: Applicants must either demonstrate that there is existing rigorous evidence of the innovation's causal impact on a development outcome and cost-effectiveness or provide a plan that explains how the applicant will demonstrate such evidence during the award period (e.g., through a randomised controlled trial, etc.). Measurement must assess outcomes (e.g., lives saved, additional income generated) or intermediate outcomes for which rigorous evidence already exists (e.g., vaccinations are proven to improve health, and thus the application could measure increases in vaccination rates). The impact evaluation must have adequate statistical power and must include a credible counterfactual of what would have happened in the absence of the innovation. The evaluation should be designed to reasonably infer whether the innovation would be cost-effective at scale relative to alternative solutions.





Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

Commercial Pathway to Scale: Applicants must demonstrate the following:

- A clear theory of change that draws upon existing evidence (though it need not be causal at this stage) that the innovation has the intended impact on development outcomes and plans to collect data on usage or, in some situations, on proxies for social outcomes.
- A compelling case of market viability. An applicant can make a compelling case of market viability by showing that the innovation has the potential to generate enough revenues to fully cover costs (including customer acquisition costs, distribution costs, headquarters costs, capital costs, depreciation, etc.), together with a plan to test whether the innovation can indeed cover such costs. An applicant could also make a compelling case of market viability by showing that it can reasonably expect to attract commercial capital on market terms by the end of the Stage 2 award, since an investor would invest only if it believed that revenue would eventually be sufficient to cover fully loaded costs.
- For products that are viable on purely commercial terms without an element of government or philanthropically motivated funding and that are sold primarily to people living in poverty, DIV does not require rigorous evidence of causal impact.
- An applicant could also make a compelling case of market viability by showing that it can reasonably expect to attract capital on concessional terms awarded due to the social impact of the innovation. DIV will consider such hybrid scaling strategies, but to the extent that the scaling path relies on philanthropically motivated funding such as impact investment or funding associated with corporate social responsibility, applicants will typically need during the award to demonstrate rigorous evidence of causal impact and show that the philanthropically motivated portion of funding is a cost-effective way to achieve the development objective.
- A compelling case that the applicant will be able to show by the end of a Stage 2 award that the innovation's benefits exceed its costs, especially focusing on benefits and costs to those living in poverty.



Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

## 2. Cost-effectiveness

Applicants must demonstrate plans to analyse cost-effectiveness or show that they have already done so. Applicants should discuss the costs and cost-effectiveness of alternative solutions and should also discuss the major cost drivers and cost-effectiveness of the innovation at scale. For innovations designed to scale publicly, applicants should provide data on likely current and future costs of the innovation; impact per dollar spent compared to alternatives; and information on how costs and cost-effectiveness will be measured. For innovations designed to scale commercially, applicants should be able to provide relevant commercial data, including a financial analysis of the innovation's potential to commercialise, analysis of market demand, and all relevant costs.

## 3. Potential for Scale and Financial Sustainability

Applicants must demonstrate that the innovation has the potential to impact millions of lives. Applicants must discuss the financial resources they expect to be required to scale the innovation over time and their vision for how such resources will be obtained. Proposals will be stronger if applicants have established relationships with the partners envisioned for scaling (e.g., partnerships with distributors; orders from large customers; Memoranda of Understanding with the government indicating commitment to scale should evidence demonstrate [sic] a positive impact, etc.).

### **Transitioning to Scale**

#### Public Pathway to Scale

Applicants for Stage 3 awards for innovations designed to scale publicly must demonstrate rigorous evidence of causal impact on a development objective and a compelling case based on the impact measurement that the solution will be cost-effective at scale relative to alternative solutions. Evidence of impact and a compelling case for cost-effectiveness (e.g., through a randomised controlled trial, regression discontinuity, etc.) of the innovation must already exist prior to application. Applications will be stronger if the applicant can produce evidence of commitment from the developing country government and other entities that will be involved in scaling.



Unabridged selection criteria. Colour-coded by: **Reach**, **Impact** and **Cost**. Also, secondary considerations of *niche* and sustainability.

#### Commercial Pathway to Scale

Stage 3 innovations intended to scale commercially should already have demonstrated market viability as described more fully above in Stage 2's 'Evidence of Impact' descriptions of market viability. Applicants should therefore no longer need donor funding for regular operations; instead, they would use donor funds only to adapt and scale to new contexts. To enable maximum leverage of DIV funds, DIV will endeavour to allow commercial investors the opportunity to fund these innovations. In addition, applicants must demonstrate a convincing case using evidence and data for how and why these additional investments in adapting and scaling the innovation in new contexts will yield a high return for the poor. The additional DIV funding for adaptation should unlock significant additional capital or generate greater scale that allows the applicant to increase their social impact.



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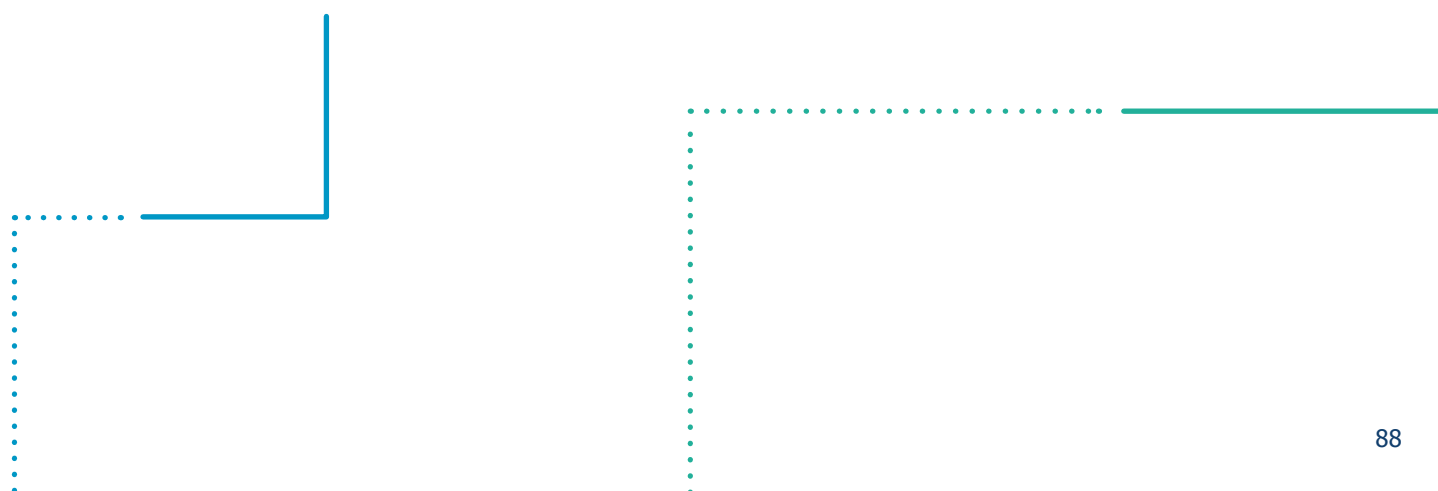
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1. Obrecht and Warner 2016
2. Obrecht and Warner 2016
3. International Development Innovation Alliance (IDIA) 2017
4. Note that the Dutch Relief Alliance (DRA, in the first two entries above) does not work with a separate innovation fund any longer. As part of the current strategic period 2022–2026, the DRA has transitioned from fund-driven innovation to working towards embedding innovation in the DRA's Joint Response programming.
5. Levin 2001
6. Department for International Development (DFID) 2011
7. DFID 2019
8. Ibid.
9. Walls et al. 2020
10. Kremer et al. 2021
11. Separating out cost-effectiveness, which is calculated as the ratio between the impact of an innovation and the cost of its implementation, for a given unit. Therefore, it is important to note that cost-effectiveness is a combination of components within the ROI equation.
12. Here 'Value' was not used, as a summary look at the papers identified with the 'Value' keyword showed that these were referring to aspects of ethics, values and those sorts of judgements, rather than aspects related to value for money.
13. Grand Challenges Canada 2022a
14. Global Innovation Fund (GIF) 2019
15. See reference 4 above regarding the DRA's transition from fund-driven innovation to work towards embedding innovation in its Joint Response programming.
16. Fonds d'Innovation pour le Développement (FID) also reached out to the team during this stage.
17. Gompers et al. 2021
18. Graham 2012
19. Ibid.
20. Zider 1998
21. Note that, for purposes of portfolio-level ROI analysis, the focus of our 'cost' component has changed. For individual project assessments, we considered the overall cost and cost-effectiveness including a wide range of costs that may not have been paid for by



the innovation fund itself. Having that wider lens on costs is important because the overall affordability and cost-effectiveness of that individual solution are important for determining demand and take-up – ie. asking whether this innovation is actually better value than the status quo.

But for the purposes of portfolio-level ROI, the relevant question is not whether scaling up that particular innovation is the best way to achieve a certain humanitarian outcome (compared to status quo interventions). Instead, portfolio ROI focuses on whether putting money into innovation itself delivers a better return than other investments. For this purpose, we do not focus on all resources that may have been leveraged to bring an innovation to scale, but instead define 'cost' narrowly as the specific investments made by the fund.

22. Note that this can also apply to the costs – how confident are we on delivering within this budget? What is our estimated price overrun?
23. World Bank 2022
24. Milner et al. 2019
25. Ibid.
26. Humanitarian Innovation Fund/Elrha n.d.
27. Aspen Institute Roundtable on Community Change 2003
28. Center for Theory of Change 2003
29. IRC 2022b
30. Milner et al. 2019
31. Ibid.
32. GSMA 2021a
33. Evans and Yuan 2022
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35. IRC 2022a
36. Food and Agriculture Organization (FAO) 2019
37. FAO 2021
38. Becoming One Uganda 2022a
39. Becoming One Uganda 2022a
40. Milner et al. 2019
41. Becoming One Uganda 2022a
42. Becoming One Uganda 2022b



The Global Prioritisation Exercise (GPE) for Humanitarian Research and Innovation aims to improve outcomes for people affected by crisis by amplifying the impact of investments in research and innovation through understanding the priorities at all levels. It will provide an overview of the progress and performance of the humanitarian research and innovation ecosystem with a clear set of priorities for research and innovation funding and attention.

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