UNEARTHING THE VALUE OF IXC CHALLENGES:
THREE IXC CASES AND RECOMMENDATIONS FOR THE FUTURE

DECEMBER 2018

DELIVERED BY
MOONSHOT GLOBAL & LIVING COLLABORATIONS
WHAT IS A QUICK WIN?

‘Quick Wins’ are a series of focused knowledge products produced by Moonshot Global and Living Collaborations, the Monitoring, Evaluation, and Learning Partner team for the Australian Department of Foreign Affairs and Trade’s Scaling Frontier Innovation (SFI) Program to support learning about topics that are not only directly relevant to the SFI Program but also of interest to the innovationXchange, DFAT and wider entrepreneurship and impact investing ecosystems.

A ‘Quick Win’ can take many forms, but the essential element is that it is implemented over a relatively short period (1-2 months) to make a specific approach accessible or to circulate specific lessons to a target audience. Examples of outputs include literature review, case-study, system mapping, taxonomy development, learning from after-action review and reflection or high-level practice guidance.

Moonshot Global and Living Collaborations conducted this activity to unearth the value of and lessons learnt from iXc Challenges by examining three recent iterations of the model: the Pacific Humanitarian Challenge, the Blue Economy Challenge, and the Frontier Innovators component of the Scaling Frontier Innovations Program. This document reviews the processes, the value provided to social enterprises and DFAT, and lessons learnt to date from each case and offers recommendations for the future.

For additional information on the topic covered by this Quick Win or about the series, please contact claire@moonshotglobal.com.
INTRODUCTION

The purpose of this document is to unearth the value of and lessons learnt from iXc Challenges by examining three recent iterations of the model: the Pacific Humanitarian Challenge (PHC), the Blue Economy Challenge (BEC), and the Frontier Innovators Component of the Scaling Frontier Innovation Program. This document reviews the processes, value to social enterprises and DFAT, and lessons learnt to date from each case and offers recommendations for the future. This discussion is timely given that in 2017 challenges were the iXc’s most commonly used approach to source and test innovations. ¹

The approach to this Quick Win involved:

- A review of existing materials produced from the three challenges.
- Information from interviews with eight key informants on selected challenges.
- A survey of participants in the three challenges.

The ability to provide thorough analysis was constrained by limited survey response rates and lack of comprehensive and accessible data. As donors continue to pursue challenges, there is increasing interest in understanding the value and limitations of this model.

[Challenges] offer a transparent, flexible and cost effective means to achieve complex public goals, however critics point out that evidence on their impact is very limited.

- O’Riordan et al. (2013).

It is anticipated that continued experimentation and learning will enhance the value of the model for social enterprises, donors, and the broader systems in which they operate.

To contribute to DFAT’s understanding of the model, the SFI Program is taking a hybrid approach to monitoring, evaluation, and learning (MEL), combining traditional results measurement and developmental evaluation, serving the dual focuses of accountability and learning while implementing to:

- Ensure consistent and comparable capture of data at multiple levels across unique but related work streams and
- Promote real-time learning, sharing, and course-correction.

There will be a summative evaluation of the overall program in 2020, and an intentional process is being put in place to capture and aggregate data and lessons learnt through the Program on a platform accessible to DFAT and its partners. Along the way, the MEL partner team, which has been involved since the early stages of the Program, will ensure that learning questions are addressed and knowledge products are produced that capture lessons learnt.

WHAT IS A CHALLENGE?

Challenges are one form of open innovation that is becoming more common within international development, as donors are harnessing the power of the crowd to unlock innovative solutions to solving the world’s most pressing development challenges. Australia’s Department of Foreign Affairs and Trade (DFAT) defines innovation as the application of a new approach that creates a positive impact that is significantly greater than can be realised through current practice. The concept of ‘open innovation,’ a term coined by Dr. Henry Chesbrough in 2003, is based on the idea that organisations should leverage both internal and external ideas when looking to develop better processes and products because solutions do not always lie within an institution.

The Pacific Humanitarian Challenge, which launched in 2015, was the innovationXchange’s (iXc) first foray in the open innovation space. Challenges are now the iXc’s most commonly used approach to source and test innovations, with diversity in focus area, selection criteria, and support provided to innovators. SecondMuse defines open innovation as a process of “thoughtfully opening up organisational and industry-wide challenges to the masses, by which the creative potential to make a lasting positive impact as people contribute their talents to issues they care deeply about can be unleashed.”

COMMON CHARACTERISTICS

Each challenge is different, but there are a few common characteristics:

- An explicit international development objective.
- A problem statement that defines the scope and parameters of the Challenge.
- An open call for solutions with expert review of applications.
- An incentive, which is often a grant or a subsidy provided to winners, but can also include networking opportunities and technical assistance.
- Flexibility and creativity in the design of solutions.

The design of a challenge ultimately depends on what you are trying to achieve.

Challenges are appropriate when you understand a problem, but are unclear on the best solutions, or on who can provide the solutions, and you are open to testing your assumptions and engaging a wide range of stakeholders. Alternatively, a challenge is not appropriate when you know the best solution, the best delivery approach, and the best provider. Before pursuing a challenge, it is advisable to invest in upfront research to determine what traditional approaches have been tested in the past, what solutions already exist, and whether the challenge is ripe for innovation.

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3 A paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology. Chesbrough, Henry William (1 March 2003). Open Innovation: The new imperative for creating and profiting from technology. Boston: Harvard Business School Press. ISBN 978-1578518371.
5 Blue Economy Challenge Final Report, SecondMuse
7 USAID Challenge Toolkit, 2018.
A CHALLENGE IS APPROPRIATE WHEN...

- You need expertise, experiences, or skills that exist outside your current realm (e.g., sector, region, network, or system).
- The system lacks innovation or sufficient incentives to develop better solutions to address a particular need or demand.
- The market or system in which a development problem exists requires coordination, incentives, resources, attention, innovation, or change.
- Actors are diverse and diffuse, and there is a need for agenda-setting around a specific problem and to signal and push joint efforts to solve it.
- There is interest in supporting a portfolio of solutions around a problem that may achieve slightly different outcomes.

A CHALLENGE IS NOT APPROPRIATE WHEN...

- You want to source multiple solutions that will work together in an interconnected approach.
- You know the best solution, the best delivery approach, and know which organisations or actors can provide it.
- You do not know the best provider or the best solution, but you are seeking a single definable outcome and not an array of potential solution options, in a set period.
- The state of innovation analysis and trends suggest your desired solution will become available soon or more easily accessed/delivered to the target market soon.

*This is based on guidance from USAID’s Challenge Toolkit, 2018.*
Beyond helping identify creative solutions to often seemingly intractable problems, challenges have the potential to provide value to winners, which are often, but not always social enterprises, and to donors.

The three cases outlined in this document illustrate different combinations of and approaches to acceleration support (e.g., financial, networking, and technical assistance) provided to challenge winners. The following are just some of the benefits of participating in the three challenges outlined in this document:

- Networking and mentoring opportunities resulting in partnerships, investments, access to new customers and markets, and knowledge sharing.
- Boosted credibility having collaborated with and been vetted by DFAT.
- Improved capabilities through the provision of technical assistance in areas such as pitching, fundraising, monitoring and evaluation, business strategy, and communications.
- Opportunities to pilot new ideas or existing ideas in new contexts.
- Ability to invest financial awards in improving solutions and advancing business objectives.

Internally, DFAT has recognised the value of engaging in these processes. The primary value from these initial investments has been the contribution to organisational learning around open innovation, which has equipped the iXc to advise other parts of DFAT on how to adapt the challenge model. The following are some of the additional benefits DFAT has observed in pursuing the three open innovation processes outlined in this document:

- Expanded organisations with which DFAT is involved and working directly (e.g., winners, partners, and implementers) opening DFAT up to new ways of thinking.
- Created opportunities for publicity and public diplomacy.
- Built credibility in open innovation.
- Positioned DFAT as a catalyst, investor, and connector by convening diverse, nontraditional stakeholders around a specific and market recognised challenge.
- Access to a pipeline of new solutions to incorporate into broader programming.
**Timeline:** 2016-2018  

**Winners:** 10 finalists, 5 winners  

**Partners:** DFAT, SecondMuse  

**Applicants:** 129 applicants from 20 countries across 5 continents  

**Evaluation(s) Conducted (Y/N):** No  

**Types of Acceleration Support Provided:**  
Technical assistance was not included in the initial design of the program, but some communication and reporting support was provided after awards were made and it was clear that winners were in need of additional support.

**Value to DFAT:**  
- Identified 129 new ideas, with 10 finalists, 5 winners, and 4 solutions tested in the region.  
- Contributed to DFAT’s understanding of the challenge model and has shaped design of subsequent iXc and DFAT challenges.  
- Aligned with the World Humanitarian Summit agenda, and global momentum for innovation in humanitarian solutions, helping fulfill one of the challenge’s political objectives.  
- Open innovation opened up a new policy and regulatory opportunities for DFAT to engage in new topic areas, such as drone regulation in neighboring countries.

**Value to Social Innovators:**  
- Application and selection process helped winners and finalists refine their ideas and improve their ability to pitch their solutions to potential investors.  
- Being selected improved the confidence of early-stage social enterprises.  
- Awards enabled social-enterprises to pilot their ideas and test their existing solutions in the Pacific region to gauge the potential for uptake.  
- Receipt of technical assistance to improve reporting and communication capabilities.  
- Introductions to and connections with potential partners were made along the way, although had not been built into the support plan from the outset.

**Lessons Learnt:**  
- Engage technical experts and stakeholders to help define the problem and shape the scope of challenges.  
- Acceleration support beyond financial awards is recommended when working with early-stage social enterprises.  
- Design challenges for the stage-idea or enterprise that will help achieve the objectives you hope to achieve.  
- Feasibility studies may help DFAT make informed decisions about whether their investments are appropriate given an enterprise’s pathway to scale; distributing grants upfront resulted in limited engagement with DFAT.  
- The way awards are structured will influence the level of ongoing engagement with DFAT (e.g., tranche funding, milestones based funding, etc.)  
- More robust and intentional MEL could have helped better understand and capture the value and limitations of this process.
PHC was an AUD 2 million challenge to identify and test new ideas in the Pacific contributing to more effective, accessible, and efficient response to the needs of affected communities during and after natural disasters and support the World Humanitarian Summit’s (WHS) innovation agenda. In addition to desk and field research, the design of this challenge relied heavily on consultations to collaboratively define problems that could benefit from innovation. On November 20, 2015, the iXc issued a global open call for ideas, receiving 129 applications. Fifteen high-level external advisors and ten DFAT staff were engaged in the reviewing applications. Ten finalists were invited to attend a two-day Design Sprint in Australia where they rapidly refined their applications with coaching from members of an Advisory Council. Five winners were chosen from the ten finalists, four of whom received awards in grants of $100,000 to $1,000,000 based on the quality of the submissions and their financing requirements and conducted 18-month pilots in the Pacific region concluding in final reports submitted to DFAT documenting their progress. One of the innovators was unable to meet the requirements to receive their award.

### TABLE 1. PHC WINNERS

<table>
<thead>
<tr>
<th>INNOVATOR</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firetail Unmanned Aerial System (UAS)</td>
<td>Firetail UAS is a low-cost Australian designed and built aerial system to help responders gather data to provide targeted emergency relief.</td>
</tr>
<tr>
<td>Humanitarian Open Street Map’s Pacific Drone Imagery Dashboard (PacDID)</td>
<td>PacDID assists humanitarian responders in accessing real-time information on the needs of communities affected after a disaster. Their goal is to support the integration of new and updated aerial imagery into disaster preparedness and response work, supply useful low-cost, open-source technologies to support low-or under-resourced organisations, and connect imagery providers with local institutions and disaster relief.</td>
</tr>
<tr>
<td>Australian Red Cross Pacific Local Supplier Engagement Project (LSE)</td>
<td>The LSE Project develops standby arrangements with local Pacific businesses to rapidly deliver relief and assist communities to recover from humanitarian emergencies.</td>
</tr>
<tr>
<td>Flinders University and New Zealand Red Cross’s Serval Project</td>
<td>The Serval Project aims to use smartphones to provide emergency communications to remote communities when regular telecommunications fail, by enabling communication via wireless mesh networks.</td>
</tr>
<tr>
<td>BIMA Leapfrog</td>
<td>BIMA Leapfrog seeks to tackle the issue of financial resilience through the delivery of low-cost insurance. This aimed to assist small businesses and families in recovering after a disaster quickly. BIMA’s innovative distribution approach uses mobile technology for registration and payment, making insurance affordable and accessible for previously excluded individuals.</td>
</tr>
</tbody>
</table>

"Working with the local stakeholders and community members was an incredible experience. Through programs like the Pacific Humanitarian Challenge, we have managed to take our initial prototype and turn it into something that is made for the Pacific to benefit the people of the Pacific.”  

- PHC WINNER
### BLUE ECONOMY CHALLENGE

<table>
<thead>
<tr>
<th>Timeline: 2015-2018</th>
<th>Winners: 20 finalists, 10 winners</th>
<th>Types of Acceleration Support Provided: Aquacelerator, accelerator program that provided business strategy, monitoring and evaluation, storytelling and project planning.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners: DFAT (iXc, IORA), SecondMuse, World Wildlife Foundation (WWF), Conservation X Labs.</td>
<td>Applicants: 220+ applicants from 40 countries</td>
<td></td>
</tr>
</tbody>
</table>

**Evaluation(s) Conducted (Y/N):** No

**Value to DFAT:**
- Advanced the internal objective to deepen DFAT’s expertise in open innovation challenge models.
- Improved understanding of the space and unique barriers facing social enterprises addressing aquaculture challenges.
- Encouraged DFAT to work with new partners and pursue future applications of the challenge model.
- Fostered internal collaboration between the iXc and Environment team given the shared interest in promoting the challenge winners.

**Value to Social Enterprises:**
- Technical assistance strengthened business models and improve capabilities in communicating with target audiences.
- Access to a strong network for idea-sharing and collaboration leading to connections that would not have otherwise existed.
- Funding to help achieve business objectives, such as expanding to new markets and evolving business models.
- Recognition and credibility from working with DFAT which made it easier to gain support from other organisations for activities

**Lessons Learnt:**
- Building in opportunities for global and local network development through webinars and convenings contributed to partnership development and peer-learning.
- Being flexible and opportunistic to emerging themes (e.g., regional interest of multiple innovators) gave the Aquacelerator team the opportunity to focus on localised acceleration support.
- More intentional MEL and dissemination of learning would have further supported the institutionalisation of lessons learnt.
The BEC was designed to promote aquaculture solutions in support of development outcomes in economies across the Indian Ocean Region by implementing new approaches, supporting a portfolio of innovations which create or iterate prototypes, establish pilots, and/or expand impact, and providing acceleration support to businesses such that they advance more rapidly than under business as usual circumstances. An open call of solutions was issued on February 29, 2016. From the 220 applications received, 20 finalists were invited to prepare presentations for a virtual pitch session to a panel of judges via Skype in August 2016. Ten solutions were selected as winners\(^8\) and provided grant funding totaling AUD 3 million and technical assistance. Technical assistance was built into the design from the beginning, with $50,000 of each grant earmarked for training provided by a 6-month accelerator program. The accelerator program, called Aquacelerator, was designed by the iXc and implementing partner SecondMuse to support the success of the BEC winners and included a curriculum of training in business strategy, monitoring and evaluation, storytelling and project planning. The Aquacelerator held a workshop for the ten winners and two dozen experts from across the aquaculture and development sectors to kick-off the program. The workshop created the opportunity for winners and experts to forge connections and identify potential business and investment opportunities resulting in 378 individual commitments of support (including funding and partnerships).

“Blue Economy Challenge provided the momentum for our company to reach the next level in a short period of time, and the people we have met and worked with continue to give us help and support long after the program has ended!”

-BEC WINNER

\(^8\) BEC AQG

\(^9\) They were actually referred to as ‘fellows’ but for the sake of this document we will refer to them as ‘winner’s.

**TABLE 2. BEC WINNERS**

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriprotein Technologies</td>
<td>Agriprotein Technologies is an industrial-scale insect meal protein replacement of fishmeal in fish feed based in South Africa.</td>
</tr>
<tr>
<td>Bridging International Communities</td>
<td>Bridging International Communities is developing the Oasis Aquaponic Food Production System.</td>
</tr>
<tr>
<td>Climate Foundation</td>
<td>The Climate Foundation has open water Marine Permaculture Arrays based in the United States.</td>
</tr>
<tr>
<td>Energaia Co. Ltd.</td>
<td>Energaia provides sustainable production of spirulina in Thailand.</td>
</tr>
<tr>
<td>Indian Ocean Tre pang</td>
<td>Indian Ocean Tre pang promotes sea cucumber farming for local communities in Madagascar.</td>
</tr>
<tr>
<td>Microsynbiotix Ltd.</td>
<td>Microsynbiotix creates algal oral vaccines for disease management.</td>
</tr>
<tr>
<td>Odyssey Sensors</td>
<td>Odyssey Sensors creates low-cost solar-powered salinity sensors.</td>
</tr>
<tr>
<td>The Recycler Ltd.</td>
<td>The Recycler is a larva from biowaste for aquaculture feed.</td>
</tr>
<tr>
<td>SeaPower</td>
<td>SeaPower provides improved seaweed farming technology for women.</td>
</tr>
<tr>
<td>Worldfish and CSIRO</td>
<td>Worldfish and CSIRO turn crop wastes into sustainable aquaculture feed.</td>
</tr>
</tbody>
</table>
SCALING FRONTIER INNOVATION: FRONTIER INNOVATORS

Timeline: 2017-2020
Winners: 14 winners
Types of Acceleration Support Provided:
- 28 custom technical assistance plans including impact measurement, communications, and business strategy.

Applicants: 732 applicants from 52 countries

Evaluation(s) Conducted (Y/N): Summative evaluation will be conducted in 2020.

Value to DFAT:
- Opportunity to catalyse private sector funding to support social enterprises working to achieve impact related to the SDGs.
- Improved understanding of the entrepreneurship and impact investing landscape, with a specific focus on the needs of social enterprises, in the Asia Pacific region.
- Engagement with and support from experts in the space.
- Learning about taking an ecosystem approach to supporting social enterprises, pursuing open innovation as one component of a broader program, and whether elevating lighthouse examples influences attitudes towards impact investing in the region.
- Created a pipeline of investable social enterprises that can feed into the overall program and other DFAT activities.

Value to Social Enterprises:
- Platform for peer-learning with social enterprises in the Asia-Pacific region with a diversity of experiences and the opportunity to receive guidance from technical experts.
- Needs assessment from experts to determine custom support plans and identify areas for future acceleration support to help achieve business objectives.
- Custom technical assistance to improve impact measurement, storytelling, communication, and strategic business capabilities.
- Formal opportunities to collaborate with fellow social enterprises in the region.

Lessons Learnt:
- Tying award dispersal to milestones can incentivise and subsidise ongoing engagement with DFAT and program partners.
- Standard technical assistance may not be appropriate when working with enterprises from diverse sectors and at varying stages.
- Needs assessments can be useful in helping winners plan how they will utilise funding and determine what type of technical assistance is needed for individual enterprises.
- Developing custom support plans is time intensive and enough time should be built into the design to ensure that enterprises are able to dedicate the necessary resources to absorb the technical assistance.
SCALING FRONTIER INNOVATION: FRONTIER INNOVATORS

The SFI Program is an initiative of the iXc supporting social enterprises to scale their development impact in the Asia Pacific region through four, interconnected program interventions: Frontier Innovators, Frontier Incubators, Frontier Brokers, and Frontier Capital Providers. Frontier Innovators (FI) supports high potential social enterprises in the region, with the goal of creating a pipeline of early-stage social enterprises that would be investable and have the potential to support the supply side of impact investing in the region. To encourage application from a diverse set of strong candidates, SecondMuse ran an extensive engagement process. 732 applications from 52 countries were received and reviewed by close to 50 external advisors. Fourteen winning social enterprises were selected from 31 finalists, receiving up to AUD 100,000 grant funding and technical assistance to help scale their business and impact. A three-day interactive Design Workshop was held on March 27-29, 2018 to convene the winners, a select group of expert panelists, and other key stakeholders. The purpose of this workshop was to build relationships across the ecosystem and assess the needs (strengths and weaknesses) of each enterprise, provide core training in storytelling strategic communications, and impact measurement, and develop plans for customised technical assistance and the use of additional grant funding. Each innovator was then provided with two forms of custom technical assistance based on needs assessments conducted during the workshop.

“We built a new circle of innovative and creative friends with passion and dedication who will remain our mentors for life.”

-FI WINNER
### TABLE 3. FI WINNERS

<table>
<thead>
<tr>
<th>INNOVATOR</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amartha</td>
<td>Amartha is an Indonesia-based peer-to-peer platform that connects rural villagers who need affordable loans with lenders who wish to invest their money.</td>
</tr>
<tr>
<td>aQysta</td>
<td>aQysta is a developer of sustainable, hydro-powered irrigation systems that do not use any fuel and can be operated at virtually zero cost.</td>
</tr>
<tr>
<td>ATEC* International</td>
<td>Started in Cambodia, ATEC* International is a manufacturer and distributor of biodigester systems that provide families in Southeast Asia with renewable gas for cooking and organic fertiliser for farming.</td>
</tr>
<tr>
<td>BagoSphere</td>
<td>BagoSphere, which is based in the Philippines, provides a faster, smarter way for disconnected youth to launch transformational careers.</td>
</tr>
<tr>
<td>Gham Power</td>
<td>Gham Power, from Nepal, provides complete, off-grid solar project development for businesses and remote sites in rural areas in Southeast Asia.</td>
</tr>
<tr>
<td>iGrow Resources Indonesia</td>
<td>Founded in Indonesia, iGrow is a public marketplace that helps farmers to utilise underproductive land to produce scalable and efficient organic farms in Southeast Asia.</td>
</tr>
<tr>
<td>Jeeon Bangladesh</td>
<td>Jeeon Bangladesh supports local intermediaries in rural areas with the training and equipment needed to facilitate meaningful consultations with remote doctors.</td>
</tr>
<tr>
<td>Koe Koe Tech</td>
<td>Koe Koe Tech, located in Myanmar, develops mobile software applications that help to reduce maternal and child mortality rates and increase access to healthcare information in Southeast Asia.</td>
</tr>
<tr>
<td>Mamma’s Leaf</td>
<td>Mamma’s Leaf provides environmentally friendly, reusable menstrual hygiene pads that empower and educate women in Vanuatu.</td>
</tr>
<tr>
<td>Nora’s Plantation Foods Ltd.</td>
<td>Nora’s Plantation Foods sources fresh crops in Samoa to make tasty, unique foods that provide a sustainable local market for farmers and increase employment.</td>
</tr>
<tr>
<td>Proximity Designs</td>
<td>Proximity Designs creates and delivers affordable, income-boosting agriculture and finance based products and services that offer a dramatic opportunity to reduce poverty in rural Myanmar.</td>
</tr>
<tr>
<td>Sehat Kahani</td>
<td>Founded in Pakistan, Sehat Kahani brings female doctors back into the workforce and improving rural healthcare through women-focused telehealth solutions. Business strategy and impact measurement support are intended to help the enterprise move toward their goal of reaching 1 million patients in 2018.</td>
</tr>
<tr>
<td>Shreenagar Agro Farm</td>
<td>Shreenagar Agro Farm is a farming integration system that provides low-income farmers in Nepal with world-class livestock, market access, capacity building, programs and after-sale services.</td>
</tr>
<tr>
<td>SkyEye</td>
<td>SkyEye develops vehicle tracking and aerial imagery software solutions that are tailor-made for the Pacific Islands.</td>
</tr>
</tbody>
</table>
LESSONS LEARNT

There were several overarching lessons learnt from the three cases.

**Design the challenge with your desired outcomes in mind.**

Expectations around innovation are often high; when pursuing a challenge it’s important to set realistic expectations. Ultimately, the value of any challenge will depend upon the outcome (or impact) you are trying to achieve and a fit-for-purpose design.

Consider:
1. What outcomes do you want to see within the given timeframe?
2. What stage enterprise/innovation do you want to support?
3. What business models or pathways to scale are appropriate?
4. What type of acceleration support is needed to help the stage and diversity of social enterprises meet agreed objectives?
5. Do you want to focus on a specific topic or region?
6. How will you know if you’ve achieved your desired results?
7. How can you support enterprises/innovations to ensure sustainability of results?
8. Does it make sense to evaluate success based on the performance of individual enterprises or the overall portfolio of winners?

**It is important to develop clarity around the expected impact of the innovations sourced.**

*Expectations around earlier stage innovations delivering impact should be moderated - one approach could be to combine innovations at a range of stages to build a portfolio of more experimental innovations and more developed post-pilot innovations ready for scale.*

- Nicole Steinweg, DFAT

*When pursuing open innovation, DFAT should accommodate for the likelihood of failure to deliver, which is an inherent risk in innovation, particularly at the early stages. The strategy of selecting multiple and varied solutions, i.e., a portfolio approach, can help to mitigate this.*

- Shannon Ryan, DFAT

A review of challenge funds conducted by Brian et al. (2014) found that a portfolio approach can be used to mitigate the risk of an entire program failing and the tendency to “pick winners.”

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10 Stephanie Kimber, DFAT
11 According to Brian et al. (2014), “picking winners” is the tendency to invest in solutions that would probably have secured investment without public support and, therefore, demonstrate weak additionality. The Fi Stage One Report found that in the Asia Pacific region there is a perception that challenges have a “low risk tolerance, tending to’ make ‘safe bets” and so often just cycle the same businesses through their programs (SecondMuse, 2018).
LESSONS LEARNT

Evaluate pathways to scale.

Organisers of the Challenge recommend looking closely at applicants’ business models before making selections to consider their likelihood of sustainability and understand if these solutions will require ongoing donor funding to be implemented, rather than being commercially viable.

The stage of an enterprise and their proposed pathway to scale should be in-line with the objectives of the challenge to ensure the project is set-up to achieve the desired outcomes. Working with a portfolio of enterprises at widely different stages and with diverse pathways to scale can create opportunities for rich peer learning and mitigate risk, but can also make it difficult to provide generic support and equal value to all winners. In June 2017, the International Development Innovation Alliance released several reports outlining insights and good practices around the processes of scaling and measuring the impact of innovation based on the experience of international donors. These resources, adding to research published by the Beam Exchange, may be useful references for staff to consult when working with social enterprises and designing Challenges.

Consider how you want to engage with winners.

Grant dispersal and reporting influences the level of engagement between DFAT and winners. If grants are given up-front and not based on milestones, this can limit the level of interaction, as observed in the PHC. Subsequent challenges have been designed to provide less money upfront and establish check-ins with DFAT along the way to demonstrate progress and leverage further funding. The level of desired engagement with winners should be considered during design, to align with challenge objectives, and when structuring grants and reporting requirements. At a minimum, this is critical to DFAT’s ability to adequately understand the value to social enterprises at the end of programs.
LESSONS LEARNT

Plan for technical assistance.

Making the most of any investment in early-stage social enterprises requires more than just providing a grant; technical assistance comprising training, targeted expert advice, mentoring, and network connections are all perceived as critical to success. The BEC demonstrated the value of this support across a portfolio of enterprises and the FI program is currently testing the value of providing winners with custom support plans.  

The [PHC] taught us that if we really wanted to see [winners] reaching as many people as possible, we had to do more than just provide seed funding. Lack of access to start-up capital was only a part of the challenge; we needed to support them in the multiple other ways that burgeoning entrepreneurs need – legal advice, business planning, technical expertise, peer learning, and access to networks.

-Stephanie Kimber, DFAT

Engage key networks throughout the process.

Engagement with diverse stakeholders (i.e., technical experts, social enterprises, and Posts) in the design phase of DFAT challenges has energised networks committed to solving a shared challenge. Plans should be in place for maintaining engagement throughout implementation and post-challenge learning to leverage successes. And consideration should be given to how programs can extend value, through these networks, beyond the winners. It is worth considering whether there can be a formal way or specific resources set aside to maintain and leverage these unique networks. This may be easier when focusing on a particular sector or geography where there is ongoing work within DFAT.

12 This resonates with findings that financing and technical assistance is crucial for early stage innovations, as the costs involved with bringing the innovation to market are likely to be beyond the financial capacity of many early stage businesses and their owners (Gian et al., 2014).
Incorporate continuous monitoring, evaluation, and learning.

There is demand within DFAT and across the international development landscape to improve evidence and understanding of the value of challenges.

Our assessment of the impact of challenge funds reveals the dearth of rigorous evaluation of the impact of this modality. In place of proper evaluation are a plethora of reviews which often do not take account of basic evaluation requirements such as an assessment of additionality, attribution or impacts (whether positive or negative) beyond the funded project. (Brian et al., 2014)

Intentionally incorporating MEL can help programs monitor progress during implementation, capture data to forecast impact, and contribute to institutional learning around best practices and the overall value of challenges for winners, finalists, DFAT, and other stakeholders within particular ecosystems. The degree to which impact has been achieved can also be measured post-challenge through relatively low-cost investigative methods such as comparative case studies. Ideally, these plans would be put in place during the design phase to ensure they are adequately resourced even after priorities may shift.
1. Apply Lessons Learnt from Other Challenges

To help ensure that DFAT’s institutional knowledge is informed by early investments and that learning is transferred in a structured way, DFAT should

- Productise and disseminate guidance so that it is easily accessible to DFAT staff and partners considering pursuing the model and
- Designate experts within DFAT who can advise on best practices when designing and implementing the model.

2. Establish Minimum MEL Requirements

MEL guidelines will help DFAT and other donors gain an improved understanding of the value of different approaches to open innovation. Ensuring that such guidelines are in place in all future challenges will help implementing partners, and social enterprises learn from activities. There is an opportunity to leverage existing frameworks such as those created by the International Development Innovation Alliance and Donor Committee for Enterprise Development.

3. Pursue Transparent Evidence Generation

Information collected about challenges should be made more accessible to both internal and external audiences, modeling open data of challenge investment portfolio including grant size, objectives and results and contributing to accountability of the organization.