



Australian Government

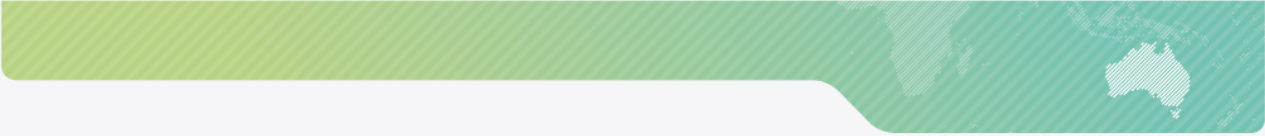
Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2017-18

innovationXchange

September 2018



INNOVATIONXCHANGE AID PROGRAM PERFORMANCE INFORMATION 2017-18

SUMMARY

This Aid Program Performance Report (APPR) report summarises the performance of Australia's aid program delivered by the innovationXchange (iXc) from July 2017 to June 2018. The report assesses the iXc's progress in achieving the objectives set for the period. The adoption by DFAT of a new Innovation Strategy in July 2018 provides the iXc with different objectives and priorities for the year 2018-19. The new objectives require adapting the role of the iXc so that it supports the whole of DFAT to become an exemplar of innovative practice within Government, delivering impact and influence by embedding innovation practices. Over the next year, the iXc will transition away from a programmatic focus, whilst maximising the impact gained from existing investments by selecting the most promising innovations for scaling, improving focus on gender and, further evaluating programs and better communicating lessons and results.

KEY MESSAGES

In 2017-18:

- The iXc added 70 projects to its portfolio, and continued to support 26 existing projects. The iXc's projects use new approaches to address intractable development problems, contribute towards 14 Sustainable Development Goals, and make a positive impact on the lives of people in the Indo-Pacific. An innovative health program called Tupaia won the Institute for Public Administration Australia (ACT Division) Innovation Award for Digital and Data innovation in 2018;
- The iXc explored how to use innovative practices, partnerships, knowledge, and programs, to address emerging policy issues. These issues included how to give young people the skills to thrive in the digital age, how to use mobile technology in new socially oriented businesses and, how to enable children to get an education in emergencies. The iXc also contributed to the technology for development chapter in Australia's first International Cyber Engagement Strategy;
- Over 2017-18, the iXc expanded its support for capability building to help countries in the Indo-Pacific use innovation to drive their own economic transformations. In line with this goal, the iXc agreed a major program co-funded with Australia's Embassy in Vietnam. The iXc expanded the number of programs supported through the Australian Development Accelerator that provides DFAT posts with competitively awarded funding and technical assistance to support innovation;
- The iXc's championing of innovation catalysed many parts of the aid program to experiment with innovative activity. In 2017-18, over 80 per cent of Australia's aid programs monitored using Aid Quality Checks reported using innovation;
- As one of the first Commonwealth Government innovation labs, the iXc contributed learning from its experience to domestic and international networks including the Australian Public Sector Innovation Network and Australian Public Service Heads of Innovation Labs Network. Internationally, in recognition of the Global Innovation Fund's performance, the iXc took up a place on its board. The iXc also actively participated in the International Development Innovation Alliance.

- Analysis of how the iXc operated within DFAT yielded learning on how DFAT could catalyse and support widespread changes in culture and impact, which informed DFAT's Innovation Strategy 2018-21.

CONTEXT

DFAT Policy on Development Innovation

In 2014, the Government launched *Australian aid: promoting prosperity, reducing poverty, enhancing stability* that committed to three things. Allocate \$140 million over four-years to encourage innovative development solutions. Become a partner in the Global Development Innovation Ventures (GDIV) program (now known as the Global Innovation Fund). Make other investments to establish and deepen partnerships to unlock new sources of financing for priority development projects in Australia's region.

The innovationXchange

Former Foreign Minister Julie Bishop MP launched the innovationXchange (iXc) in March 2015. The iXc's establishment provided DFAT with a dedicated team with the capacity to experiment, build external and internal partnerships, demonstrate new ways of working, learn, and support innovation in Australia's aid program and more broadly across DFAT. An International Reference Group (IRG) of global leaders in business, civil society, philanthropy and academia informed the iXc's strategic direction. Since 2015, the iXc's team has grown gradually and in 2017-18 was a group of 12 full time employees. In 2016, DFAT appointed AECOM Services Pty. Ltd. to deliver an Innovation Resource Facility (IRF) that provides management support and innovation expertise for the iXc, DFAT and the wider public service. Housed in an open-plan space in Canberra, staff at all levels sit side-by-side to maximise collaboration and drive a culture of innovation – both within the team and across DFAT.

The early iXc portfolio focused on addressing intractable challenges in health, aquaculture and humanitarian assistance. The iXc also initiated a program of cross-sectoral work to support local innovators through strengthened business support and access to finance and investment opportunities. Guided by DFAT senior leadership, in FY 2017/18 the iXc adopted the following four specific objectives to broaden its sectoral focus and underpin decision-making for the year.

- The iXc will support trialling innovations and building innovative capability at posts.
- The iXc will embrace new directions that complement existing program priorities.
- The iXc activities encourage knowledge and resource transfer into the Indo-Pacific.
- The iXc will test and support Australia's aid program to adopt innovative crosscutting themes, approaches and tools.

Following this section, the remainder of the report is structured to demonstrate progress against each of the above four objectives. Before reviewing that evidence, it is illustrative to look at how the whole program portfolio performed over the year in terms of reaching the iXc's vision, which was for Australian Aid to be a recognised leader in innovation, delivering new and cost-effective solutions to pressing development challenges to improve the lives of people in the Indo-Pacific region.

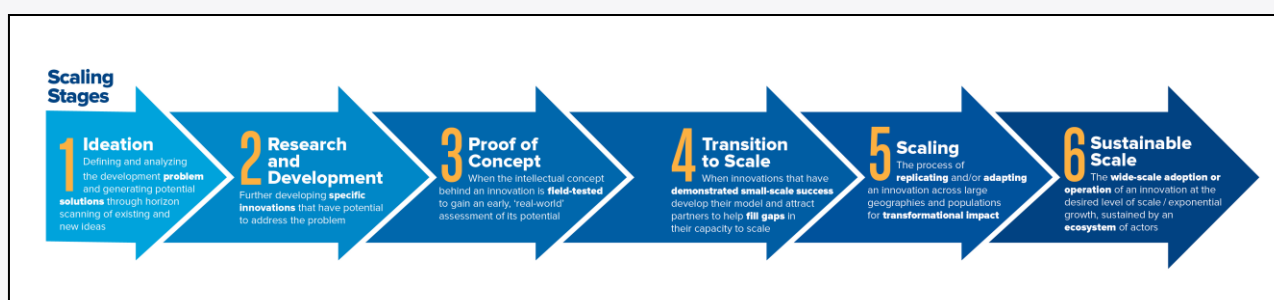
The iXc's overall results, 2017-18

The iXc has built its portfolio of initiatives since 2015. The following data includes all initiatives that were operational in 2017-18, although some began in previous years.

In the analysis, the results for the portfolio developed and managed by the iXc are separate from the results of projects selected and managed through Australia's major investment in the Global Innovation Fund.

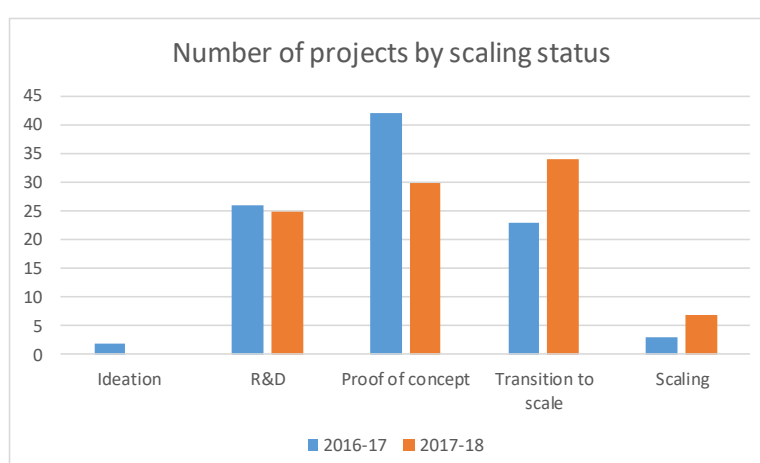
InnovationXchange managed projects 2017-18

- The iXc managed a portfolio of 96 active projects in 2017-18, of which 70 started during the year, bringing new solutions to the region. Fifty-six of the new projects were winners from the six open innovation challenges the iXc ran during the year, which attracted 2292 new ideas. The other 14 new projects came from the Australian Development Accelerator (an iXc program open to posts) and other non-challenge based partnerships;
- The iXc managed projects operating in 33 countries. Classified using the DFAT aid program regions, 34 per cent were in Pacific countries, 9 per cent were in South West Asia, 32 per cent were in Southeast and East Asia and 23 per cent were multi-regional, including countries outside the Indo-Pacific region;
- The iXc managed projects that contributed towards the achievement of 15 Sustainable Development Goals. The largest proportion of projects, 18 per cent, supported SDG3, Good Health and Wellbeing;
- The iXc strengthened DFAT's culture of experimentation by building a portfolio of innovations at different stages of maturity from ideation to scaling measured using the IDIA scaling pathway¹;



- The iXc's support helped move innovations further along the innovation pathway to scale. Scaling allows innovations to help more people and demands innovators address sustainability. In 2017-18, the iXc supported 25 projects to scale at least one-step along the IDIA scaling pathway;

- 60 per cent of programs supported the aid program's commitments to gender equality and empowering women and girls, including through using technology to educate women



¹ IDIA Insights on Scaling Innovation <https://www.idiainnovation.org/idia-insights/>

and girls and increasing their access to services, plus applying a gender lens across our innovation investments. To meet the aid program's gender targets, the iXc must adopt a more systematic inclusion of gender throughout the design and implementation of programs;

- Learning. A focus of the iXc's work has been to generate new knowledge for DFAT on how to build innovation capability, culture and improve the impact of the aid program. Lessons from the iXc's experience are included throughout this report. The iXc itself is generating lessons on how to catalyse and support the widespread adoption of new culture and practice within Federal Government, especially in departments with large, geographically dispersed networks.

Global Innovation Fund managed projects 2017-18

- By the end of 2017-18, GIF had developed a portfolio of 40 investments in 36 innovations. Of these eight investments were made during the year;
- GIF managed projects that operated in 19 countries that included six with DFAT bilateral aid programs (Bangladesh, South Africa, Nepal, Pakistan, the Philippines, and Vietnam).
- GIF managed projects that contributed to the achievement of 16 of the 17 Sustainable Development Goals. After SDG 1 (ending poverty), the next largest proportion of projects, 35 per cent, supported SDG 3 (Good Health), and 25 per cent of projects contributed to SDG 2 (Zero Hunger) and SDG 10 (reduced inequality) respectively.

EXPENDITURE

Table 1 Total ODA Expenditure in FY 2017-18

Objectives for 2017-18	A\$ million	per cent of total ODA
Objective 1: support trialling innovations and building innovative capability at posts	17.69	37 per cent
Objective 2: embrace new directions that complement existing program priorities	9.58	20 per cent
Objective 3: activities encourage knowledge and resource transfer into the Indo-Pacific	12.17	25 per cent
Objective 4: test and support Australia's aid program to adopt innovative cross-cutting themes, approaches and tools	7.80	16 per cent
Program Enabling and Corporate	0.84	2 per cent
Other Government Departments	0.00	0 per cent
Total ODA Expenditure	48.09	100 per cent

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Current Rating
Objective 1: support trialling innovations and building innovative capability at posts	Green
Objective 2: embrace new directions that complement our existing program priorities	Green
Objective 3: activities encourage knowledge and resource transfer into the Indo-Pacific	Green
Objective 4: test and support Australia's program to adopt innovative cross-cutting themes, approaches and tools	Amber

Note:

■ Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

OBJECTIVE 1: IXC SUPPORTS TRIALLING INNOVATIONS AND BUILDING INNOVATIVE CAPABILITY AT POSTS



Performance indicators for objective one in 2017-18 were:

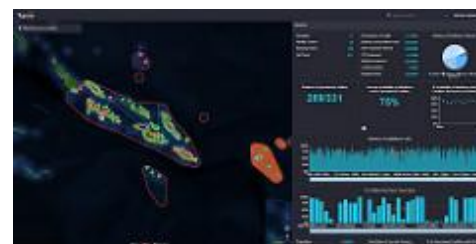
- 1.1 Finding five high impact innovation solutions with rigorous evidence and sustainable finance
- 1.2 Building of innovation capability in four country and/or regional programs
- 1.3 Demonstrating 10 models for globally sourcing and locally testing innovations

This section demonstrates the strong progress the iXc made and justifies the objective rating of **green**

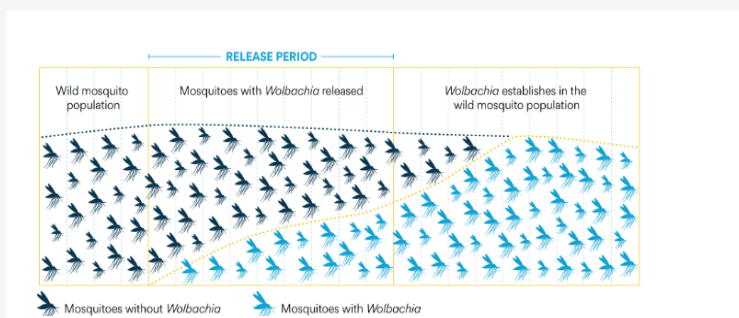
1.1 Identifying five high impact innovation solutions with rigorous evidence and sustainable finance

Innovation units deliberately invest in a wide portfolio of innovations, as there is often a higher degree of uncertainty about whether an innovation will work, or is scalable, than for a development program delivering proven approaches. A major piece of work for the iXc in 2018-19 will be a detailed review of its portfolio to identify strong candidates for further support from the iXc, DFAT or external scaling partners. An initial review of the active portfolio in 2017-18 identified five high impact innovations that have the potential to scale, and for which the iXc is developing rigorous evidence and exploring sustainable finance. These were Tupaia, EnerGaia, Ruangguru, World Mosquito Program and Data for Health.

- Using a digital dashboard developed through human-centred design (picture right), **Tupaia** complements existing eHealth platforms in recipient countries by aggregating data to improve health system planning and access to essential medicines in the Pacific. Tupaia won the 2018 IPAA Innovation award for the digital and data category. Tupaia has expanded to six countries in the Pacific since launching in late 2017. Tupaia helped the availability of essential medicines at the national level in Timor-Leste improve by more than 20%. During 2017-18, Tupaia progressed from transition to scale, to scaling on the IDIA scaling pathway.



- EnerGaia** was a winner in the Blue Economy Challenge. EnerGaia sustainably produces spirulina – a nutritious super food - and the iXc's \$500,000 investment has helped it grow, win several further prizes and leverage additional funding. EnerGaia has prospered and scaled from a small start-up in Bangkok, to operations in Bangladesh, Phuket and the Solomon Islands. iXc support has also brought EnerGaia to the attention of other potential investors, including the US Government's Overseas Private Investment Corporation (OPIC). During 2017-18, EnerGaia progressed from proof of concept to scaling, on the IDIA scaling pathway;
- Ruangguru** is a tech-enabled education provider that has launched a slew of products aimed to accelerate educational outcomes for fee-paying customers in Indonesia. With support from the iXc, MIT Solve and the Atlassian Foundation, Ruangguru created the Digital Bootcamp to provide a social learning education solution for group-based distance learning for disadvantaged youth. The Digital Bootcamp helps underprivileged youth get a high school diploma and increase their opportunities to obtain decent work in the formal sector. Ruangguru's Digital Bootcamp matured within the Proof of Concept stage on the IDIA scaling pathway;
- With DFAT support, the **World Mosquito Program (WMP)**, based at Monash University in Melbourne, is running operational pilots of its revolutionary approach to preventing the spread of Zika, Dengue, and Chikungunya using Wolbachia in Fiji, Vanuatu, Kiribati and Sri Lanka. Alongside DFAT, the Wellcome Trust, the Governments of Australia, UK, US, NZ and Brazil, and corporate sponsors New England BioLabs and KPMG have helped de-risk the Bill and Melinda Gates Foundation's (BMGF) initial investment, encouraging them to make a significant follow-on investment to expand the approach. WMP is operating in 12 countries and moved from proof of concept to transition to scale along the IDIA scaling pathway;
- DFAT's partnership with Bloomberg Philanthropies on improving **Data for Health** has led to exciting changes that will help improve the quality of life and save the lives of over one billion people in 20 countries, including seven countries in the Indo-Pacific. For example, information on location and cause of death is improving in Bangladesh, Myanmar, the Philippines and the Solomon Islands, which will help planners provide services that meet the needs of their people. During 2017-18, Data for Health moved from transition to scale to scaling on the IDIA scaling pathway.





1.2 Building innovation capability in four country and/or regional programs

By June 2018, 13 countries in the Indo-Pacific region were operating five or more iXc funded programs (including those delivered through the Global Innovation Fund) - Vietnam, Timor-Leste, Fiji, Myanmar, Nepal, Papua New Guinea, Solomon Islands, Vanuatu, Pakistan, the Philippines, Samoa, Bangladesh, and Cambodia. Specific mention is made of three programs.

First, the DFAT Vietnam program, with whom the iXc launched a new four-year AUD10 million, co-financed partnership in 2017-18 called **Aus4Innovation**. This partnership will strengthen Vietnam's innovation system and prepare the Government to implement their Vietnam 2035 strategy. Aus4Innovation is key to supporting the Vietnam-Australia Innovation Partnership, and forms part of Australia's five-year development cooperation program outlined in its Aid Investment Plan 2015-2020.

Second, the **SEED Pacific** program, conceived as a pathfinder for the iXc, aimed to demonstrate how using innovation processes such as co-creation could build new private sector partnerships that would strengthen innovative capabilities in the Pacific. The design was not taken forward to full implementation, providing early learning for the iXc on the importance of fully accounting for context and experience when trialling new approaches. The design did enable further consultations with potential partners, which resulted in a partnership with Carnival Cruises and The Difference Incubator to pilot the YuMi Tourism Development project that won a Shared Value Award in October 2018.

Third, the **Australian Development Accelerator (ADA)**. Launched in late 2016, the ADA program supports innovation at post and in partner countries through offering competitively allocated funds and technical support. The ADA's first funding window supports the piloting and testing of externally sourced innovations. Posts are engaged during the selection process, endorse all innovations and guide grantee organisations during implementation. This process develops post innovation capability and facilitates local ownership and sustainability of the innovations. It also identifies and refines potential pathways to scale. In 2017-18 the pilot and test window started trialling nine innovations (three in Asia, one in South Africa and five in the Pacific) to improve health and education outcomes, poverty reduction, gender equality and effective governance. 67 per cent of ADA projects indicated the potential to meet the requirement of classifying gender as a principal or significant project feature.

Many ADA grants test new technology. In partnership with UNICEF, the iXc is trialling the use of drones to deliver vaccines in Vanuatu, and with the World Food Programme, it is testing whether using blockchain to make cash transfers in emergency settings can improve efficiency, security and transparency. Assessing the sustainability of these investments will be a focus area for work in 2019.

The second ADA window, called the innovative practice fund, provides direct support to posts and desks to experiment with high potential innovative aid management practices. Of the four funded programs, two, in Timor-Leste and Afghanistan, are exploring innovative approaches to monitoring and evaluation.

1.3 Demonstrate ten models for the global sourcing and local testing of innovations.

The iXc ran six open innovation challenges in 2017-18 and has run eleven open innovation challenges over the period 2015-18, learning new lessons from each one. Looking across the open innovation portfolio offers some further insights:

- Designing and running challenges involves making key choices that affect the nature of their impact. LAUNCH Food had a broad challenge question and we received many applications that helped build the global knowledge base about food innovations in developing countries. However, the spread of winners – all excellent by themselves – ranging from proof of concept ideas to transition to scale and growth, made it difficult to build a portfolio of innovations that could have collective impact and influence the broader food system. The narrower questions set in the MIKTA, Blue Economy and

MIT Solve challenges helped us select cohorts of innovations that could more easily benefit from group acceleration;

- Media coverage and awards that drive the visibility of innovators can help attract customers and investors. Supporting innovators with communications assistance can be very important;
- Innovators can benefit from several sources of support simultaneously. For instance, several of the start-ups in the iXc supported GSMA ecosystem accelerator program are also supported by regional accelerators and tech-hubs. This points to the importance for DFAT of supporting the landscape of partners that can help innovators – the innovation ecosystem;
- Traditional models of acceleration rely upon private sector partners and routes to market. Playing a brokerage role, iXc has involved posts in identifying challenge topics, winner selection and acceleration programs to assess the opportunity for DFAT or public sector supported scaling;
- When measuring the impact of acceleration programs, iterative adaptive approaches that surface problems early and pivot points along the way can be more effective learning tools than traditional methods focused on capturing post-program outputs and outcomes. The iXc is using such methods to learn from our programs, such as LAUNCH Food and Frontier Innovators;
- During 2017-18 the investments made under the iXc's first open innovation program, the Pacific Humanitarian Challenge were completed. The concluding report offered lessons to inform DFAT's approach to supporting innovation in the Pacific, including the need to explore the readiness of local institutions to adopt innovations and the benefits better coordination across agencies implementing humanitarian innovations might bring.

OBJECTIVE 2: IXC WILL EMBRACE NEW DIRECTIONS THAT COMPLEMENT OUR EXISTING PROGRAM PRIORITIES



The performance indicator for objective two was:

2.1 Develop five new partnerships in 2017-18 demonstrating how shared value and collaboration can deliver aid outcomes.

This section demonstrates the strong progress the iXc made and justifies the objective rating of **green**.

- With Australia's MIKTA partners (Mexico, Indonesia, Korea and Turkey), the iXc sought innovative ways of **educating children in emergencies**, a topic of wide international interest. Implemented with OpenIDEO and the Global Knowledge Initiative, new partners for DFAT, the program included a bootcamp organised for the seven challenge winners. During the bootcamp, MeWe International, changed their delivery model from direct service provision to a training the trainer model. With the change, they now have the potential to reach a much greater number of Syrian youths, providing vital storytelling skills for healing, community building and change making;

- The **Frontier Innovators** program, delivered in partnership with SecondMuse, selected 14 of the Indo-Pacific's most innovative and socially impactful businesses from a competition with 732 applicants, from 52 countries in 15 sectors. Winners received \$100,000, and tailored support in storytelling and



impact measurement, to help them scale their businesses and impact. Learning from the entrepreneurs about their needs has shaped other components of Australia's work on innovation ecosystems, including support for accelerator programs and ways to broker access to finance. One winner is increasing health outcomes by connecting female doctors to underserved patients in low and middle-income markets through videoconferencing consultations, as shown in the picture (left). In Pakistan, women graduate from medical school in higher numbers and with better grades than men do,

but following marriage, many do not practice as doctors. Sehat Kahani is providing career opportunities for these female doctors and has supported close to 53,000 patients through 15 e-health centres managed by micro-entrepreneurs across the country;

- **Preparing disadvantaged youth for the workforce of the future** was the challenge addressed through our open innovation partnership with MIT Solve and the Atlassian Foundation, two globally influential new partners for DFAT. Ten 'Solvathons' were held across the Indo-Pacific that successfully encouraged young innovators from our region to enter the competition. Eight winners received initial grants in September 2017 and in May 2018, following a competitive process, DFAT and the Atlassian Foundation each announced a further AUD 1.75 million to continue supporting six of the most promising innovators develop their ideas further (40K Plus, Baan Dek Foundation, Digital Superheroes Academy, Ruangguru, Rumie Initiative, WeRobotics and Wanji Games). This program is informing the development of DFAT's approach to the Future of Work and the Fourth Industrial Revolution;



- In a new partnership with the iXc and DFAT's Aid4Trade team, **World Vision Australia** are collaborating on a program that will bridge the loan gap for struggling businesses with strong growth potential in Myanmar and Ghana. The project will trial an innovative approach to address problems faced by "missing middle" businesses – those that have outgrown microfinance, but are still considered too high-risk to access bank loans. Learning from this program will inform DFAT's approaches to supporting private sector development and aid for trade outcomes as well as the practices of global microfinance institutions;
- Through the **Ecosystem Accelerator Programme**, a partnership with GSMA (the mobile phone industry's peak body) and the UK's Department for International Development, seven start-ups in the Indo-Pacific are making strides towards impact through their use of mobile technology. Programs include mobile software to manage last-mile distributions of goods and a job platform providing job matching, skills training and employer transparency for lower income workers. Early results from these start-ups suggest 80,000 + people have been assisted, 50% of them (40,515) being women. This partnership between DFAT and GSMA also drives new partnerships between the

start-ups supported and the mobile network operators, supporting scaling through further funding and access to routes to market.

Learning from new partnerships

Using qualitative analysis, the iXc's learning partner Results for Development found that external partners rated their partnerships with the iXc as very successful. The median length of iXc partnership with those interviewed was two years. On average, respondents ranked their relationship with the iXc as a 4 out of 5 (1 being least successful to 5 being most successful). Respondents viewed the iXc as a responsive and strong thought partner. External partners believed they helped the iXc by bringing partnering skills, technical strength, and links to the private sector. One respondent summarised this by saying "I hope they felt they were able to start halfway round the track by standing on our shoulders and learning from our mistakes".

The partnerships have extended the reach of the small iXc team, allowing it to work across the established organisational and geographical boundaries of the aid program. The partnerships have also extended the knowledge of iXc staff, especially when working on newer policy topics, for example how to support the young workforce in the region to be ready for the jobs they will be entering. Partnerships have allowed DFAT to test new methods of designing and implementing aid programs. Staff in the iXc and wider DFAT have learned the skills necessary to run challenges, prizes, and co-create ideas and solutions from others with greater expertise. These staff are now able to support the adoption of these practices into the wider organisation. Partnerships have also raised the profile of innovation in DFAT, especially where the partner has established international networks, such as GSMA, allowing us to attract the attention of external funders and organisations that might further scale the innovations we have supported.

These partnerships have seen iXc staff embrace new roles and ways of working. Learning includes:

- Allocating dedicated individuals, budget and time to manage partnerships leads to greater impact and is highly valued by private sector partners;
- Bringing together the various teams from across DFAT involved in iXc programs for collective review helps support the adoption of new ideas and practices;
- Designing and piloting more sophisticated ways to measure the quality and value that partnerships bring to innovation, beyond the traditional metrics of investment size and people reached. For example, having a shared voice on a topic is also an extremely powerful outcome;
- Exploring innovative approaches to aid program procurement, fitted for smaller scale, entrepreneurial private sector partners.

OBJECTIVE 3: IXC ACTIVITIES ENCOURAGE KNOWLEDGE AND RESOURCE TRANSFER INTO THE INDO-PACIFIC



The performance indicator for objective three was:

3.1 Leveraged 1:1 finance from external parties to support the regional scaling of innovations.

This section demonstrates the strong progress the iXc made and justifies the objective rating of **green**.

Leveraging external funding into the Indo-Pacific

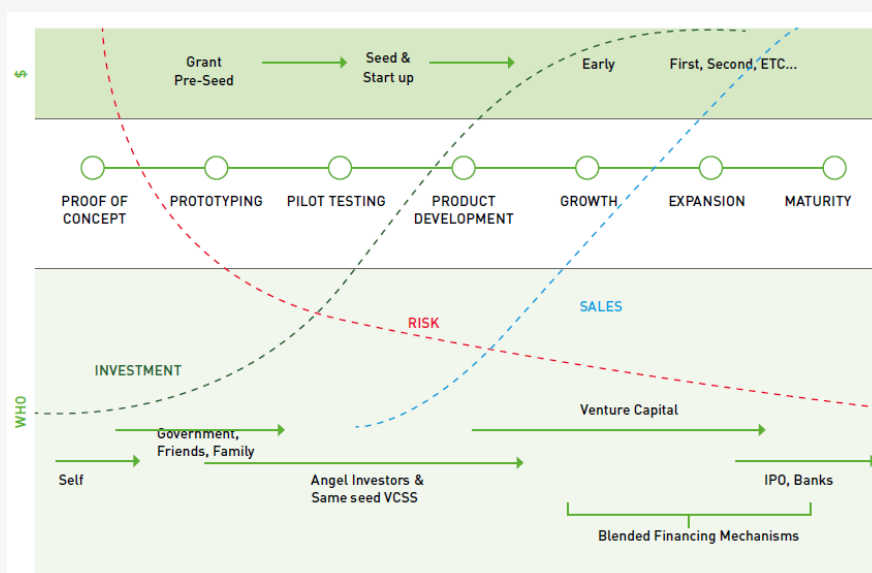
Not every project the iXc undertook required or achieved financial leverage of 1:1, but the achievements of two programs, LAUNCH Food and the Global Innovation Fund (GIF) mean that in 2017-18 over \$60 million was leveraged into iXc-supported programs. This finance exceeds the nearly \$50 million iXc invested, giving an objective rating of green. Innovators from the Blue Economy Challenge (BEC) (run in 2016-17) also raised considerable follow-on funds, demonstrating the 'lag' effect of innovation support and the need to follow innovators after the end of their project support to capture fully the project's impact.

The iXc's investments leveraged considerable and unquantifiable in-kind contributions and impact from regional partners, including expertise and time, for example from Atlassian volunteer staff. LAUNCH Food estimated the challenge attracted 3,935 hours of volunteer-time from across the network used to deliver the challenge. Assuming the average salary of a senior manager is \$72/hour, this equates to \$283,400 of additional finance.

Examples of financial leverage achieved during 2017-18 include:

- Four BEC finalists leveraged commercial capital following their iXc partnerships. AgriProtein raised \$15 million (Series C) and attracted a \$10 million Capacity Partnership. Indian Ocean Trepang raised \$2.75 million (Series A) and MicroSynbiotix raised \$1.35 million (Seed Round). Whilst direct attribution is difficult, the innovators have said participation in the challenge helped raise money in several ways. They developed skills (such as business planning and investor pitching), built networks, gained credibility through being a 'DFAT BEC winner', gained certainty of DFAT funding, and having passed DFAT due diligence was seen as an asset (that DFAT has created in its own right);
- LAUNCH Food Innovators secured commitments for \$31.8million in external funding, including a \$20.84 million grant to Harvest Plus from the MacArthur Foundation, \$3.5 million from the Government of New Zealand to support the Pacific Islands Food Revolution (matching Australia's contribution), and \$2.78 million for Smart Food from the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT);

During 2017-18, the iXc learned much about leveraging private finance. The LAUNCH Food program published a guide² on investment options that explored how different kinds of finance can support the development and scaling of innovations. The program found a stronger case for using public sector finance during the earlier stages of development, when levels of experimental risk are higher and the private sector is less likely to invest, as shown in the diagram (right).



² <https://ixc.dfmat.gov.au/research-resources/> LAUNCH Food investment options. SecondMuse. 2017

Attracting Global programs into the Indo-Pacific

The iXc used four strategies to encourage knowledge and resource transfer into the Indo-Pacific. The first was to influence the activities and investment portfolio of two global innovation programs so that they increased activity in the region.

- In 2017-18, DFAT's partnership with the **Global Innovation Fund (GIF)** matured significantly. GIF is a non-profit, social-first investment fund that acts as a source of 'venture capital for fragile places', supporting ideas with the potential to measurably improve the lives of millions of people living on less than \$5 per day, such as mClinica,

mClinica connects pharmacies to drive improved public health. Through their mobile technologies, mClinica is growing a digital network of pharmacies that generates new health data, improves linkages within fragmented supply chains and builds industry capacity. mClinica's platform currently connects over 15,000 pharmacies, making it the largest network in South East Asia.

- described in the box (right). In 2017-18, DFAT invested the final \$10million of its \$30million commitment, with the aim of encouraging greater investment in the Indo-Pacific (in contrast with the other donors who have more of a focus on Africa and South America). Over the three years since its inception, 13 (33%) of GIF's investments have benefited the Indo-Pacific region, and overall GIF has leveraged USD59.3million in risk capital from other investors and USD100.7million in grants. In recognition of this partnership, in 2018 DFAT took up a GIF Board seat;
- The iXc, represented through the Australian Embassy in Washington, chaired the Board of the **Global Innovation Exchange (GIE)** through a period that saw a substantial rebranding and repositioning exercise. The GIE is now a tech platform that aims to accelerate innovation in developing countries, using its ever-growing database of innovations and funding, to reveal curated content and industry insights for social entrepreneurs, funders who fund them, and other development professionals. The platform includes opportunities in the Asia-Pacific, identified by country and their stage of development as measured by the IDIA scaling categories, to help match investors and entrepreneurs.

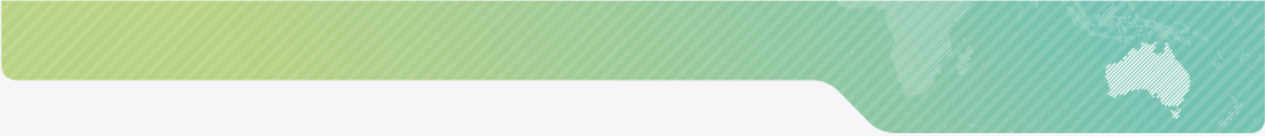
Learning from international innovation experience and applying this to our region

The second strategy to bring knowledge and resources into the region was to engage in international networks and welcome secondments. In 2015, DFAT was a founding member of the **International Development Innovation Alliance**³ which has the goal of 'actively promoting and advancing innovation as a

means to help achieve sustainable development', including through the UN's 2030 Sustainable Development Agenda. Over the last three years, the iXc's senior leadership have attended IDIA events and brought back learning around innovation strategy and practice from their international peers, while raising the global profile of innovation supported by DFAT. Through IDIA, DFAT has joined trailblazing collaborations advancing development innovation. The 2015 IDIA ['Call for Innovation'](#) launched at the International Conference on Financing for Development



³ IDIA members represent: Government of Australia, Government of the United Kingdom, Government of Sweden, Government of the United States, Government of Canada, The Bill and Melinda Gates Foundation, The Rockefeller Foundation, Grand Challenges Canada, the Global Innovation Fund, UNDP, UNICEF, The World Bank



in Addis Ababa recently informed the [Whistler Principles for Development Innovation](#) agreed by G7 Ministers in 2018. DFAT also contributed to producing several shared frameworks and methodologies, such as [the IDIA framework for Scaling Innovation](#) used in this document to analyse how programs have scaled.

Since its inception, the iXc has welcomed 13 short-term international secondees into our team to share experiences and help develop programs and approaches, including from Google and Intel Corp. In 2017-18, secondees visited from the GSMA, European Union, USAID, Government of Singapore and Results for Development, whilst the iXc seconded one staff member to Washington DC that helped deepen ties with colleagues in the US Government, private sector and civil society organisations.

Learning from international peer review by the OECD DAC

The third strategy was to learn from and through participating in formal peer review. In 2018, the Organisation for Economic Co-operation and Development (OECD) **Development Assistance Committee (DAC)** published a peer review of Australia's development co-operation. The review identified the Blue Economy Challenge as a good example of how DFAT is working on development innovation through the iXc, establishing challenges, focusing on the transformative potential of innovation in different sectors, and crowding in a range of partners. However, it found that many of the iXc's initiatives were still at proof of concept stage and would need time to demonstrate scalability and relevance. The review identified that DFAT was experiencing challenges integrating innovation into its organisational culture and processes, challenges familiar to other DAC countries. It recommended that DFAT review the extent to which its procedures and systems are able to develop the behaviours it seeks to encourage for greater innovation, and review how an institutional structure like the iXc best contributes to the overall innovation effort.

Learning from the experience of innovation labs in Australia and New Zealand

The fourth strategy was to learn through participating in a study of innovation practice in Australia and New Zealand. In early 2018, **The Policy Lab** based at Melbourne University surveyed 52 units and teams established for the purposes of supporting public or social innovation in Australia and New Zealand. The iXc was one of 26 units based within government surveyed, alongside 23 independent and three government-non government partnerships. Learning from this report suggests:

- Like most innovation teams, iXc activities have focused predominantly on the earlier stages of innovation (scoping problems, ideation, and piloting/prototyping solutions). This has enabled the iXc to experiment with a range of tools, partnerships and sectors, but fragmented its impact;
- The iXc differs from other Government-based units in that it has (to date) focused much more heavily on challenge prizes, awards and open innovation programs as its principal methods. This has enabled the iXc to source a wide range of innovations, but most of these remain early stage. The focus on culture change within the DFAT Innovation strategy will likely lead to the iXc utilising more interactive methods such as interviews, co-creation workshops and focus groups with immediate stakeholders. The iXc focus on innovation ecosystems will likely lead to greater use of systems thinking / mapping as well as big data.

Sharing learning within DFAT

A major role of the iXc is to take learning such as that described in the previous paragraphs, and demystify the language and process of innovation for DFAT staff through presentations, briefing and collaboration. Staff from the iXc undertook many activities to generate and share learning during 2017-18 including:

- New approaches to sharing insights including internal podcasts from the DFAT Secretary and a session devoted to learning from failure;
- Development of an Australian Public Service-wide video which helps to inform and encourage innovation across the APS and features outcomes from the first two DFAT Ideas challenges;
- Use of the iXc as a location providing a functional and flexible space for workshops, design thinking, hackathons, videoconferencing and seminars, bringing together DFAT staff and external experts;
- Development of an interactive map available via the iXc website visualising the work of the iXc and other program areas in DFAT;
- Invitations to expert speakers to address staff, including celebrating women in science week with some of Australia's great female scientists. In the picture are: Professor Michelle Simmons, 2018 Australian of the Year and Scientia Professor of Quantum Physics at UNSW; Professor Elanor Huntington, Dean of the College of Engineering and Computer Science at the Australian National University; Dr Dharmica Mistry, Co-founder and Chief Scientist at BCAL Diagnostics and NSW Young Woman of the Year in 2016; Dr Cathy Foley, Chief Scientist, CSIRO; Former Foreign Minister, Hon Julie Bishop; Frances Adamson, Secretary DFAT; and Dr Sarah Pearson, DFAT Chief Innovation Officer and Chief Scientist.
- Preparation of a new DFAT strategy on innovation, that drew on consultations with staff



OBJETIVE 4: IXC WILL TEST AND SUPPORT AUSTRALIA'S PROGRAM TO ADOPT INNOVATIVE CROSS-CUTTING THEMES, APPROACHES AND TOOLS



The performance indicators for objective four were:

- 4.1 10 per cent of DFAT's bilateral aid budget (not including the iXc's budget) is dedicated to experimental practices
- 4.2 Aid program quality reporting demonstrates programs are adopting innovations and innovative practices

This section demonstrates the progress the iXc made and justifies the objective rating of **amber**.

The adoption of innovation in Australia's aid program

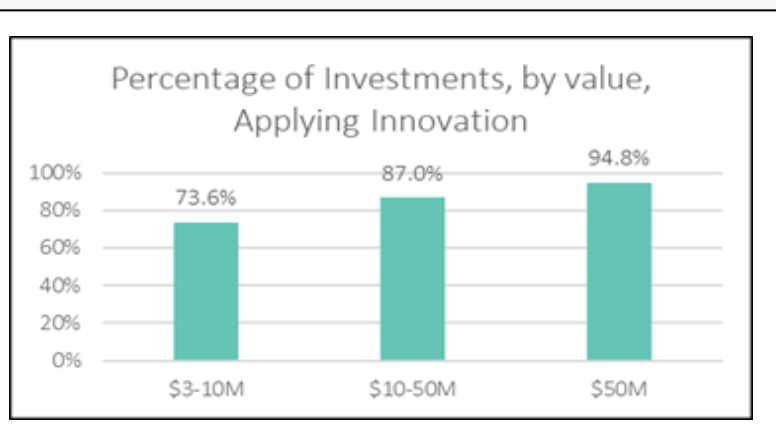
During 2017-18, the iXc engaged with Contracting and Aid Management Division to identify major new aid program opportunities that could consider using innovative approaches in their problem definition, design and implementation. Experts - sourced from the IRF - engaged on ideas including climate finance, Pacific labour mobility, smart cities, international mining and the design of an aid procurement portal.

The iXc also worked with the AidWorks redesign team to improve the routine capture of information on which aid programs are utilising innovation. Whilst for 2017-18 it was not possible to determine the proportion of the bilateral aid budget dedicated to experimental practices, in future AidWorks will track the proportion of new programs addressing innovation due to work completed during the year. In 2017-18, one of the performance indicators for objective four was for 10 per cent of the bilateral aid budget to be dedicated to innovation. As this percentage could not be estimated, objective four is rated amber.

Evidence from the **Aid Quality Checks (AQC)**s, which are used to track the performance of aid investments over \$3 million, does suggest there is broad adoption of innovative and experimental tools and approaches in Australia's aid program. The AQC form used to assess 2017-18 aid expenditures included a text box asking program managers to describe innovation in their program. Three hundred and thirty-three unique AQC responses were analysed and sorted into 16 categories, derived from the dataset. 84 per cent of respondents discussed the presence of innovation with only 16 per cent of programs self-reported as not having innovation.

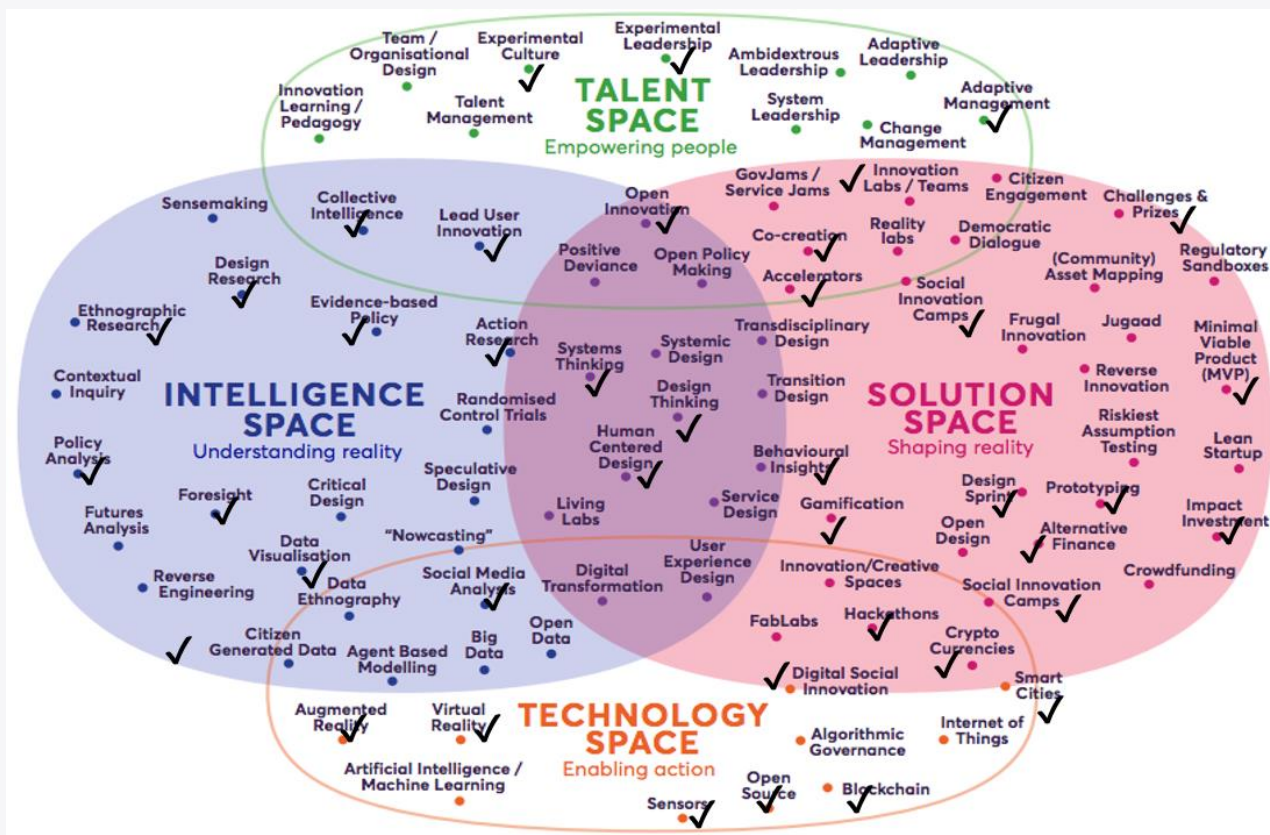
As demonstrated in the chart to the right, the 2017-18 AQC's show a strong alignment between higher value investments (\$10 million plus) and the self-reporting of innovation. This is consistent with the 2016 analysis of AQC reporting.

The nature of the innovation described by program areas was also analysed. The data shows 20 per cent of programs are using multidimensional approaches to innovation, 20 per cent are innovating to improve delivery and 15 per cent are innovating with technology. A quarter of programs didn't describe the nature of their innovation, whilst many other approaches were cited by a small number of programs, including shared value, network strengthening, infrastructure, data and financing.



iXc collaboration within DFAT to support the adoption of crosscutting themes, approaches and tools

The iXc worked in partnership with many parts of DFAT to support them to use innovative tools and approaches. The diagram below, produced by NESTA, a UK foundation that supports innovation, shows how a diverse range of tools and approaches are now used to support people and organisations to innovate. The ticks on the diagram, which fall into all four quadrants, indicate where DFAT, through the iXc's engagement, has utilised an approach.



As a result:

- Working with Multilateral Policy Division, we supported the announcement at the Commonwealth Heads of Government meeting of a major new program aimed at providing access to a digitally enabled identity for every woman and girl in the Commonwealth by 2030. The UK Government jointly funds the Commonwealth Digital Identity initiative with Australia. The World Bank, GSMA and Caribou Digital implement the initiative;
- With Pacific Division, the iXc supported ethnographic research to understand better the impact of female menstruation on development outcomes;
- Gamification and immersive storytelling techniques have shaped the LAUNCH Legends work to improve awareness of healthy eating and traditional meals amongst schoolchildren in Fiji and Tonga through play-based learning;
- With the Ambassador for Cyber Security, the iXc took forward an emerging focus on innovative technology by publishing a strategy on how technology can improve aid outcomes and change the socio-economic landscape aid works within. The iXc also contributed to the development of Australia's first International Cyber Engagement Strategy;
- An India Economic Strategy to 2035 was partially informed by analysis using a unique algorithm on the future of work and fourth industrial revolution commissioned from Faethm;
- Our partnership with the ASEAN team will provide education and technical assistance to support innovations that deliver smart cities, with good planning and governance to help the additional 90 million people projected to be living in cities across Southeast Asia by 2030.

Improving DFAT's innovation culture and innovation capability

Using qualitative survey methods, the iXc's independent learning partner, Results for Development, assessed the impact of the iXc on building DFAT's innovation culture and capability through in-depth interviews with a sample of DFAT staff that had engaged with the iXc.

In 2018, respondents believed that the culture of innovation in their section had strengthened since 2015

from an average of 2.4 to 3.3 out of 5. 60 per cent of respondents attributed this change to the iXc. A comment typifying the responses was *"I think the presence of the iXc, commitment to do things differently, finding ways to do things more efficiently and to maximize the impact that we have is worthwhile - and it is seeping across the dept."*

Respondents felt their capability to implement innovative programming had also increased over the past three years. Scores for innovation capability rose to an average of 3.3 in 2018 from 2.5 in 2015. 44 per cent of respondents attributed this change to the iXc.

The research explored why these changes had happened. It found that the iXc's appeal within DFAT lay in its innovation expertise, co-funding and inherent risk appetite. All interview respondents noted that the most important value of their partnership with the iXc was the innovation skillset and the tools the iXc was able to provide. One interviewee stated, *"We were looking for innovative solutions, so we reached out to the iXc"*. Another highlighted the value of the Innovation Resource Facility (IRF) and its ability to provide specific, deep expertise through connections and external experts. The opportunity for co-funding, and the perception that partnering with the iXc would enable an area to undertake a higher risk or more experimental program was the reason 50 per cent of those interviewed approached the iXc.

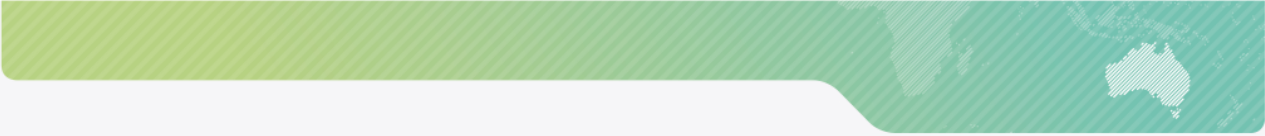
	Pre-iXc Rating	2018 Rating	iXc caused change?
Culture of Innovation	2.4 out of 5	3.3 out of 5	60 per cent
Capability to Innovate	2.5 out of 5	3.3 out of 5	44 per cent

PROGRAM QUALITY

The iXc completed AQC's on eight investments and FAQC's on two investments, together representing 50 per cent of total iXc expenditure. The remaining investments were valued at under \$3 million, or were less than 6 months implemented, both of which categories are exempt.

AQC and FAQC reports showed that iXc investments are highly relevant to the strategic objectives of the Australian Government with a 90 per cent rating of satisfactory against the relevance criteria. This reflects the strong commitment of the iXc to trialling new ideas and brokering new partnerships that address development challenges in the Indo-Pacific region. 80 per cent of the AQC monitored investments demonstrated satisfactory effectiveness and efficiency during implementation.

Two investments, "SEED Pacific – impact through innovation", and the "Water Innovation Engine" received poorer ratings. SEED Pacific received low ratings in particular for effectiveness and efficiency. Its progress has been slow and difficult given its initial design did not meet the needs of the program. The innovationXchange has pursued one major component of the design, namely the SEED Pacific Tourism Development Pilot, which does represent an efficient use of resources and good value for money. In 2018-19, the iXc will stop all elements of the SEED Pacific program aside from the Pacific Tourism Development



Project. The Water Innovation Engine rated lower because there proved to be less international demand for a new partnership to support innovation in the sector than anticipated during the United Nations and World Bank co-chaired High Level Panel on Water that underpinned the program's design.

The AQC scores suggest there are areas for improvement such as sustainability and monitoring and evaluation. Addressing sustainability through actively helping our innovators find scaling partners will be a priority for 2018-19. Monitoring and evaluation, which was only 60 per cent satisfactory, will be another priority. Work to evaluate and share knowledge about what the portfolio has achieved will significantly expand in 2018-19, including through the iXc's partnership with Results for Development.

Improving gender equality should also be an important objective across all innovationXchange investments. Although the AQC monitored investments achieved the Australian Government's 80 per cent target on gender equality this year, the rating is only at the adequate level. The Pacific Humanitarian Innovation program did not meet the gender equality target because the program did not have gender indicators that could be evaluated or clear gender activities. Consultations to define the thematic scope of the challenge did draw upon broader humanitarian consultations that did explicitly recognise the distinct impact of humanitarian crises on women and children. In subsequent open innovation challenges, the iXc considered ways of increasing the number of submissions from women, as well as building gender related capacity amongst challenge winners through the grant making process and as a part of any additional acceleration training. Improving the inclusion of gender considerations across the iXc portfolio will be a priority for 2018-19, including for smaller programs not included in the AQC analysis.

A table of AQC ratings is at **Annex C**

PROGRAM MANAGEMENT AND OPERATIONS

Innovation Resource Facility

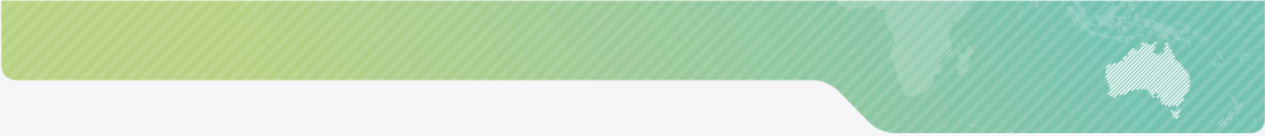
DFAT established the Innovation Resource Facility (IRF) in October 2016. It provides a broad range of technical advice and management services in support of innovation. Based in the iXc, but with team members working remotely across various Australian cities, the IRF maintains a flexible and agile structure comprising a core and program-specific team spanning a broad spectrum of technical skills and experience.

The IRF adopts a collaborative approach to engagement and works closely with internal and external partners under the strategic direction of the iXc. It also provides surge administrative capacity for the iXc through the delivery of contract management, reporting, communications and safeguard services.

FY17/18 saw an increase in requests for assistance from the IRF. The largest proportion of the IRF's work remained servicing demands from the iXc, but requests for support from other parts of DFAT also significantly increased over the period, primarily in the areas of upstream concept/design support and niche research.

MANAGEMENT ACTIONS

In July 2018, DFAT published a new Innovation Strategy 2018-2021, 'Seizing opportunities, solving challenges'. The strategy made innovation central to DFAT's efforts to deliver impact on Foreign Policy White Paper commitments, and set out an ambitious agenda to embed an innovative mindset and practice



across DFAT, placing DFAT at the leading edge of innovative public sector organisations. In 2018-19, the iXc will begin to transition away from demonstrating how innovation can deliver better outcomes and stimulate change through specific development cooperation projects. It will become the engine to drive transformation across DFAT, providing leadership, supporting the scaling of innovation, celebrating and enabling culture change, building innovative capability and evaluating, benchmarking and sharing lessons learned. To effect this transition, starting in 2018-19, the iXc activity will include:

Lead

- Support the Chief Innovation Officer to raise the profile and importance of innovation in achieving Australia's Foreign Policy White Paper goals and to strengthen organisational capability;
- Review the iXc program portfolio. Prioritise iXc investments and focus on new technologies, such as technology for development, and new approaches such as innovation ecosystem building;
- Engage in international and departmental work to improve the integration of gender into our innovation work and development outcomes for women driven by innovation;
- Establish and provide the secretariat for a DFAT Innovation Advisory Group and a DFAT Innovation Champions Network that can help identify and prioritise, support and champion opportunities to deliver impact through innovation across DFAT.

Partner

- Help scale at least one current innovative project being undertaken by DFAT by connecting it to partners who can provide scaling support and opportunities;
- Partner with emerging programs across DFAT to provide support for innovative work practices and engagement with innovation expertise;
- Collaborate with other innovation activity across Whole of Government.

Enable

- Pilot and adapt capability building opportunities for DFAT staff, giving them the tools to innovate in their programs;
- Allocate increased time and space for collaboration with other parts of DFAT to help build innovative capability and culture;
- Gradually transition and extend the iXc's core skills, noting the significant body of aid program work that will remain under iXc management over the next year.

Influence

- Bring to DFAT learning and stories from the experience of international and whole of government partners in adopting innovative approaches;
- Review and improve our communication tools and approaches to build awareness amongst staff of how innovation could help their work, as well as highlighting how DFAT staff have incorporated innovative behaviour in their workplace;
- Complete an evaluation of iXc projects. Share the lessons learned and provide case studies on adaptive learning.

ANNEX A – PERFORMANCE BENCHMARKS

Progress towards Performance Benchmarks in 2017-18

Aid objective	Performance Benchmark	Rating	Progress in 2017-18
Objective 1: iXc supports trialling innovations and building innovative capability at posts	5 high impact innovation solutions with rigorous evidence and sustainable finance - Innovation capability built in 4 country programs and/or regional programs 10 models demonstrated for global sourcing and local testing of innovations	Achieved	Objective 1: iXc has identified 6 high impact innovation solutions, and is making progress on generating rigorous evidence and sustainable finance for them. iXc will complete a detailed portfolio assessment in 2018-2019 to identify further promising innovations and inform future investment choices. iXc has built innovation capability in more than 4 country and/or regional programs and run 11 global open-innovation challenges, generating learning from each one.
Objective 2: iXc will embrace new directions that complement our existing program priorities	5 new successful partnerships demonstrating how shared value and collaboration deliver outcomes	Achieved	Objective 2: iXc formed more than 5 new successful managing partnerships in 2017-18 with GSMA, World Vision Australia, MIT Solve, the Atlassian Foundation, OpenIDEO, Global Knowledge Initiative and SecondMuse in partnership with the Innovation Resource Facility.
Objective 3: iXc activities encourage knowledge and resource transfer into the Indo-Pacific	Leveraged 1:1 finance from external parties to support the regional scaling of innovations	Achieved	Objective 3: iXc successfully leveraged greater than 1:1 finance from external parties into projects it is supporting.
Objective 4: iXc will test and support Australia's program to adopt innovative cross-cutting themes, approaches and tools	10 per cent of DFAT's bilateral aid budget (not including iXc) is dedicated to experimental practices - Aid program quality reporting demonstrates programs are adopting innovations and innovative practices	Partially Achieved	Objective 4: Not possible to determine the percentage of DFAT's bilateral aid budget dedicated to experimental practices, but aid program quality reporting demonstrates a large number – over 80% - are self-reporting the adoption of innovations and innovative practices.

Note:

- Achieved. Significant progress has been made and the performance benchmark was achieved
- Partly achieved. Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- Not achieved. Progress towards the performance benchmark has been significantly below expectations

ANNEX B- EVALUATION PLANNING

LIST OF PROGRAM PRIORITISED EVALUATIONS PLANNED FOR THE NEXT 12 MONTHS

Evaluation title	Investment number and name (if applicable)	Date – planned commencement (month/year)	Date – planned completion (month/year)	Purpose of evaluation	Evaluation type
Adaptive Learning to support Tupaia		From October 2018	October 2019	- analyse pilot project - demonstrate use of adaptive learning methods - improve existing investment	Joint evaluation supported by external consultants
Global Innovation Fund	INL577	From January 201	December 2019	Formative evaluation to inform next Strategic Plan for GIF	Partner led, supported by external consultants
World Mosquito Program	INM017	From April 2019	July 2019	Progress evaluation	Partner led
Evaluation of the Preparing Disadvantaged Youth for the Workforce of the Future challenge	INM267	From January 2019	June 2019	Formative evaluation	Joint evaluation supported by external consultants

ANNEX C- AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings.

Investment name	Approved budget and duration	year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality
Global Innovation Fund	\$30.05m 2014-19	2018 AQC 2017 AQC	5 6	5 5	5 5	5 4	5 5	4 4
Reducing Transmission of Dengue and Zika Pilot	\$17.9m 2016-19	2018 AQC	5	4	4	3	4	3
SEED Pacific – impact through innovation	\$18.2m 2015-20	2018 AQC	3	2	2	5	4	5
GSMA Ecosystem Accelerator Asia-Pacific	\$5.6m 2017-20	2018 AQC	5	4	5	3	4	4
Water Innovation Engine	\$7.9m 2017-19	2018 AQC	4	3	3	3	3	4
LAUNCH Food	\$8.1m 2015-21	2018 AQC	6	5	5	5	4	4
Scaling Frontier Innovations and Entrepreneurship	\$16.9m 2016-20	2018 AQC	5	4	4	5	4	4
Bloomberg Data for Health Initiative	\$24m 2015-19	2018 AQC	5	4	5	4	4	4

FAQC RATINGS

Final AQC's assess performance over the lifetime of the investment (ratings are not compared to previous years).

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Gender equality
Innovation in the Blue Economy (Indian Ocean)	\$3.1m 2015-18	4	5	4	4	4	3
Pacific Humanitarian Innovation	\$3.5m 2015-18	4	5	4	4	3	1

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas. 5 = Good; satisfies criteria in almost all areas.

4 = Adequate; on balance, satisfies criteria; does not fail in any major area.

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria and/or fails in at least one major area.

2 = Poor; does not satisfy criteria in major areas. 1 = Very poor; does not satisfy criteria in many major area.