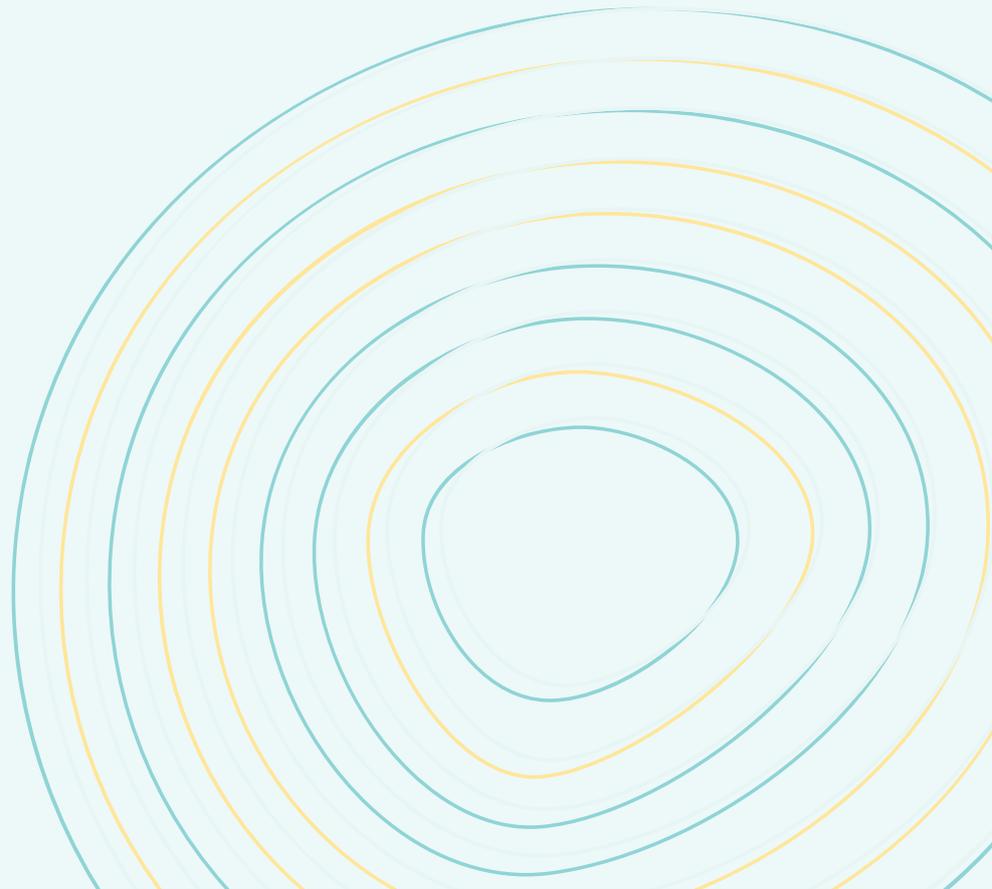


INNOVATION FOR DEVELOPMENT COOPERATION

**Sensible Experimentation -
Possibilities for Innovating the
Baltics' Development Cooperation**



This paper is produced by Laura Toomlaid, (International Development Master student at Sciences Po) during her internship at AfriKo with a supervision from AfriKo's team (Lukas Ivanauskas, Mantė Makauskaitė, Kristijanas Kaminskis)



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Author:

VšĮ Afrikos tyrimai ir konsultacijos
www.afriko.lt

Coordinator:

Vystomojo bendradarbiavimo platforma
www.vbplatforma.org

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Why does innovation matter for the Baltic development cooperation?

Innovation has always been integral to development cooperation policy as an opportunity for finding alternative solutions to global challenges, yet there is still a lack of efforts made to truly translate innovation rhetoric into transformative shifts in practice ([Ramalingam and Prabhu 2020](#), p. 6). Against the backdrop of reconsidering the relevance and effectiveness of development aid and shifting from donor-based relationships to equal partnership-based cooperation, the discourse of innovation in development cooperation has received even more explicit recognition and emphasis in the past 20 years in the international development cooperation community ([Silva 2021](#), pp. 156-157). Currently, even traditional and established development cooperation actors like [USAID](#), [AFD](#) and [DFAT](#) are gradually undertaking the efforts to become more innovative with an aim to make their policies more effective and impactful.

Innovation discourse is also present in development cooperation ecosystems of all Baltic countries, yet our conducted interviews, analysis of Baltic strategic documents and engagements with Baltic stakeholders showed that we tend to uncritically take digital solutions as by default innovative. Innovation is a much broader policy area which encompasses not only “finance and technologies” but also “new policies, partnerships, business models, practices, approaches, behavioural insights and methods of development co-operation across all sectors” ([OECD 2020](#), p. 15). Therefore, merely emphasizing digital technologies in development cooperation does not guarantee innovative development cooperation policy, but it requires a systemic approach to innovations. To become truly innovative in their development cooperation policies, Baltic countries have to establish a clear vision and policy tools which would enable and encourage different kinds of Baltic actors to continually seek to develop new ways of conducting development cooperation activities (including those instances when providing digital technologies to partner countries) with the aim to achieve greater impact with limited resources.

Acknowledging the limitations of the Baltic development cooperation ecosystems, some of Baltic structural bottlenecks could be considered as relative advantages to integrate innovation into the development cooperation practices. As the international development cooperation community is currently under disruption and looks for new ways to do development cooperation differently, the Baltics as relatively new actors in the development cooperation community have more flexibility for introducing innovative solutions because they are lacking well established development cooperation ecosystems that could be disrupted. The Baltics cannot simply follow lessons of others due to existing gaps between realities of the new and small Baltic development cooperation ecosystem and traditional well-established actors that dominate the international development cooperation community. To bring tangible added value for the international development community, the Baltic countries have to embrace the development of carefully thought out and context sensitive solutions and that would require more systematic introduction of innovations into Baltic development cooperation policies.

This policy brief brings forward some suggestions on how the Baltics can integrate innovation in development cooperation beyond technological solutions by establishing a more systems-appreciating approach to innovation. We propose a **‘Sensible Experimentation’** model encompassing 6 concrete methods and actions that might be uptaken by Baltic policymakers with an aim to increase the impact of limited resources and enable the environment for various Baltic stakeholders to keep looking for new ways to do development cooperation both differently and better.

This paper is written based on AfriKo’s practical experience in implementing projects, engagements with Baltic stakeholders, desk research conducted July-September 2021, and 5 confidential semi-structured virtual interviews conducted in August-September 2021.¹

1 Interviews were conducted with the representatives from the Baltic national development cooperation agencies, Ministries of Foreign Affairs, private sector, EU institutions and intergovernmental agencies.

6 recommendations for the Baltic policymakers to implement a Sensible Experimentation model

(either to be implemented jointly across the Baltics or separately)

1. Broaden understanding of innovations in development cooperation beyond just providing ICT solutions in Baltic countries, while creating room for experimentation and doing development cooperation differently - focus not only tools, but also approach to development.
2. Increase risk and failure tolerance within ecosystems of the Baltic countries regarding innovative initiatives as some of them might not deliver expected results (just as traditional development projects do not always do), yet their careful reflection could be a valuable source of know-how for future projects.
3. Develop competence platforms connecting stakeholders across the Baltic countries with know-how in the development cooperation or Low Income Countries and Middle Income Countries because understanding local ecosystems is precondition for securing Baltics' innovation efforts to remain relevant and impactful. Within these platforms, Baltic stakeholders could critically reflect the Baltics' taken initiatives, discuss their lessons learned and provide suggestions for policy makers how policies could be enhanced.
4. Use Public Sector Expertise platforms (e.g. TAIEX and Twinning programmes) and [International Development Innovation Alliance](#) training programmes such as [Managing Innovation for Impact](#) as a source of information and inspiration to improve public sector capacity in introducing and managing innovation for development cooperation. However, application of international experience into the Baltic realities has to be critically reflected and contextualized, taking into account the potential of fresh approach as well as limited scope and financial resources in the Baltics in this field.
5. Create a database of public and private sectors, academic and civil society stakeholders from Low Income Countries and Middle Income Countries as a tangible first step to start including more local change-makers and innovators into Baltic development cooperation. Co-creation with local stakeholders is a critical precondition for sensible experimentation and is currently limited due to lack of network and instruments for facilitating it.
6. Establish Baltic innovation fund(s) which leaves enough flexibility for those stakeholders with ideas, but at the same time would put actors into a certain strategic framework that would demand long-term, ecosystem development, mutually beneficial partnership building and scaling-oriented thinking. The initiatives could be financed with 20 000 – 40 000 EUR seed funding through: a) competitive open project calls which do not have specific geographical or thematic priorities but applicants are required to clearly demonstrate how these projects address the above mentioned strategic framework or/and b) organized development cooperation themed boot camps bringing together stakeholders from Baltic and partner countries, while jury's selected initiatives would receive funding to test and validate their concepts.

1. Broadening understanding of innovations

Baltic countries should broaden their understanding of innovations beyond single-point technological (ICT) solutions in order to allow more room for experimentation.

Defining “a shared vision and strategy for innovation more clearly and explicitly” will become an essential task for the Baltics (OECD 2020, p. 13). Among Baltic countries, Estonia has most clearly emphasised the role of innovation, especially [in its strategy for Africa](#). However, even Estonia lacks explicitly expressed broader goals and implications of innovations in development cooperation, while interviewed stakeholders tended to equate innovations with single-point technological (ICT) solutions (Research interviews). Our interviewed representatives of some Estonian ICT companies admitted that transferring e-governance solutions from one partner country to another is not necessarily enough for securing sustainable impact in some partner countries, as some of installed technical solutions eventually have been left unused when projects end (Research interviews). Additionally, continuing linking innovation with e-governance solutions might also not be appropriate if the technological solutions do not entail new cutting-edge methodologies such as human-centered design or AI/machine learning (Research interview). Therefore, Baltic policymakers should broaden their understanding of innovations by allowing more room for experimentation with a focus not only on tools, but also approach to development (even with same specific technological solutions such as e-governance or fintech), because being innovative requires constantly looking for new and better ways of doing development cooperation.

2. Increasing risk and failure tolerance

Baltics should seek to increase risk and failure tolerance within their ecosystems regarding innovative initiatives as some of them might not deliver expected results (just as traditional development projects do not always do), yet their careful reflection could be a valuable source of know-how for future projects.

Although there is an emerging consensus of the need to do development differently, the public sector, being under the pressure of accountability and expectation to deliver, remains cautious as each innovation involves risks and uncertainty (Ramalingam and Prabhu 2020, p. 5). Limited financial and human resources, as well the perception of innovation as something time-consuming and administratively burdening, is being used as an argument by some of the Baltic stakeholders for not challenging current development cooperation practices (Research interview). However, to promote innovation, the public sector should not seek to minimize risks but approach risks sensibly by acknowledging, anticipating and managing them based on available information. To translate informed risk-taking in development cooperation into practice, the public sector could consider adopting a portfolio management approach ([Cheeseman and Dodsworth, 2018](#)). By perceiving and managing development cooperation projects not separately from each other but together as a portfolio, it will be easier to justify undertaking an innovative project with high risks, as a project with fewer risks involved can potentially offset the risks of another project, creating a “healthy risk-return equilibrium” ([Megersa 2019](#), pp. 3-4). Meanwhile, possible failures should not be perceived as costs but rather as lessons for improvements.

3. Building knowledge and capacities

The need to build the public sector's capacity in managing innovation as well as contextualizing development cooperation activities by better understanding local ecosystems is an imperative for the Baltics' innovation efforts to remain relevant and impactful.

Premature innovation efforts with limited contextualization and analysis of the local ecosystem and its actors will fall short in providing impact and can even cause more harm than benefit (Research interview). However, given the public sector's pressure for delivering speedy and timely action, development agencies continue introducing innovations with premature designs that risk overlooking possible barriers as well as opportunities that could have come out during comprehensive analysis before acting (OECD 2020, p. 48). Despite the limited presence of Baltic stakeholders in Low Income Countries (LICs) and Middle Income Countries (MICs), there is a pool of Estonians, Latvians and Lithuanians who have already developed first-hand experience in development cooperation either through working for international organizations or living/working in the LICs and MICs. Therefore, establishing a joint competence/know-how platform connecting stakeholders across the public, private and civil sector with know-how in development cooperation or concrete LICs or MICs local contexts, could be one solution to improve the relevance and contextualization of Baltics' innovation in the development cooperation. This joint competence/know-how platform could also be a venue where Baltic stakeholders could critically reflect the Baltics' tanken initiatives, discuss their lessons learned and provide suggestions for policy makers how policies could be enhanced.

Baltic public sector servants could also purposely use peer-learning opportunities to increase their practical knowledge on managing innovation within the development cooperation ecosystem. Through TAIEX and Twinning programmes, they can learn from the best practices of other development cooperation actors such as SIDA or Danida (Research interview). In addition, the [International Development Innovation Alliance](#) has created an intensive training course on [Managing Innovation for Impact](#), offering practical know-how on how to manage innovation in development cooperation. This training could be an insightful entry-point for Baltic public sector representatives.² Training programmes for development cooperation actors could also be offered on specific aspects such as agile and user-centric design thinking or behavioral approaches (OECD 2020, p. 39). Meanwhile, developing the capacity to anticipate future trends and act proactively in designing innovative development cooperation activities can be done by continuously monitoring the activity of different development cooperation stakeholders such as UNDP or USAID, and understanding what the evidence of their activities tell about the forthcoming changes in development cooperation (Research interview). Although this gathered know-how could be a valuable source of information and inspiration on how innovation agenda could be implemented in practice, the application of international experience into the Baltic realities has to be critically reflected and contextualized, taking into account the potential of fresh approach as well as limited scope and financial resources of the Baltics in this field.

4. Creating tools for partnerships building

As co-creation with local stakeholders is a critical precondition for sensible experimentation, Baltic countries should start from creating tangible tools such as a database of partner countries' stakeholders due to lack of network and instruments for facilitating it.

Innovation in development cooperation should not only seek to give an equal chance for everyone to benefit from it but also equal access to producing innovation ([Chataway, Hanlin, Kaplinsky 2014](#), p. 39). This would both ensure the development of the LICs' and MICs' local capabilities as well as

² IDIA introductory training can also be accessed through an online learning platform Apolitical - [Innovation in development](#).

offer a valuable source of contextual know-how and identification of critical constraints to innovation implementation ([Kumpf and Ramalingam 2021](#), p. 22). Instead of promoting “innovation push” to developing countries through capital-intensive technology transfer, the Baltics should perceive themselves as innovation enablers seeking ways to efficiently support the emergence and strengthening of the local innovation ecosystem and change-makers (Research interview). Practically it would mean that Baltic states should find ways to bring local change-makers and innovators that are already abroad in a project design phase as well as identify possible avenues where the innovation know-how, whether technological or not, can be integrated with local grassroots innovations grown out of contextual necessity ([OECD 2012](#), p. 17). Although acknowledging that the Baltic countries are lacking networks with local stakeholders as is often limited to a lack of physical presence in LICs and MICs as well as instruments for facilitating them, the Baltic countries can benefit from digital solutions such as Finnpartnership’s Matchmaking model. A similar database could also be created in collaboration between Baltic MFAs and trade promotion associations to better tap into and facilitate the collaborative efforts with local stakeholders. The scope of the database could be widened from the private sector to also include public sector and civil society stakeholders.

Finnpartnership’s [Matchmaking initiative](#) is a database of business partnership initiatives from LICs and MICs that have raised interest in collaborating with Finnish companies. Companies can be found by searching for either a specific topic or a country they are based in. To ensure the reliability and suitability of each initiative, they will go through a thorough screening process before being added to the database. After identifying a possible partner organization, Finnpartnership will help to facilitate the matchmaking by organizing digital meetings and offering additional information on available financing instruments.

5. Providing financial instruments for experimentation

Establishing innovation funds and open competitions can be a way of creating a space for stakeholders to come up with innovative solutions to development cooperation challenges as well as support them in implementing these innovations.

For innovation to be promoted in the development cooperation activities, it requires an environment that enables innovation to flourish ([Results for Development 2019](#), 5). Tangible actions of creating an innovation-enabling environment could include creating an innovation fund. Several established development agencies have been exploring this concept already. Agence Française de Développement was created in 2019 [The Fund for Innovation in Development](#) with a yearly budget of €15 million dedicated to be disbursed to innovation initiatives in different stages (from piloting to scaling). The Swedish International Development Cooperation Agency has established [Challenge Funds](#) to stimulate and support innovative methods and tools proposed by stakeholders across the public, private sectors and civil society to be integrated into development cooperation activities. Similarly the Baltics could start from establishing (jointly or separately) Baltic innovation fund(s) to finance innovative initiatives with 20 000 – 40 000 EUR seed funding. As giving more room for experimentation is key for integrating innovations in development cooperation policies, the fund has to leave enough flexibility for those stakeholders with ideas, but at the same time would put actors into a certain strategic framework that would demand long-term, ecosystem development, mutually beneficial partnership building and scaling-oriented thinking.

One of the SIDA-supported challenge funds is the **Innovations Against Poverty (IAP)**, based on competitive open project calls to stimulate the private sector to come up with innovative products meeting the needs both of the company as well the people living in poverty. Funding can range from 50 000€ to 200 000€ (not more than 49% of the total required investment). During the first round (2017-2021), IAP allocated 3.2€ million to 35 companies. In addition to funding, SIDA offers non-financial support such as tailor-made advisory services on inclusive business development, innovation and mentorship from impact investors to secure investments for companies prospective growth and scale-up (SIDA).

Funding through innovation funds can be done through different streams. The Baltic innovation fund(s) could provide seed funding for innovative project through open project calls in any country and in any thematic area, as long as the applicant (CSOs, private sector, academic institutions, etc.) can provide argumentation on 1) Why the Baltics should fund such a project? 2) How will this project lead to more (international) funding; 3) How will this project contribute to the ecosystem development and equal partnership building (for example, by including other Baltic or partner countries' stakeholders)?. Project calls should also be opened long enough for stakeholders to actually identify partners and establish collaborations.

Another way how Baltic innovation fund(s) could operate is thematically focused boot camps (e.g., fintech, e-governance, talent partnership, etc.) for changemakers across the public, private sectors and civil society. Organizing a boot camp can be considered as an ideation–prioritization exercise that gives a platform for different stakeholders across the Baltics and partner countries to come together, identify possible cooperation opportunities and brainstorm on joint interventions that could bring development impact. Boot camps can be narrowed down to specific thematic topics related to thematic priorities. Participants will be given, for example, a weekend to brainstorm on different ideas, find suitable partners with whom to collaborate, and pitch the idea to the jury. Selected initiatives would receive funding to test and validate their concepts in practice. Due to the lack of venues for the different kind of stakeholders to engage among themselves and limited experience of working in a consortium in the Baltic countries, the boot camp could create a tangible platform for facilitating collaboration across all sectors and stakeholders beyond “the usual suspects” of development cooperation as it is one of the principles how to incorporate innovations into development cooperation policies ([IDIA 2015](#), p. 1).

A more elaborated model for promoting innovative thinking is developed by the German Agency for International Cooperation (or GIZ) that has introduced **company-wide innovative ideas competition**. All the employees of GIZ, in cooperation with external partners, are encouraged to come up with an idea that could be developed into a minimal viable product or service (MVP/S). Teams that will successfully pass idea generation and validation phases will be given a chance to develop their idea into a tangible product or service in a six-month Accelerator Programme. Their efforts are supported both financially (up to 10 000€) as well with advisory support on topics such as user-centric methods and design.