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### Study on the options for the organisation of the U4 Innovation Lab

#### Introduction to U4

The U4 Anti-Corruption Resource Centre (U4) at Chr. Michelsen Institute was established in 2002 with the aim of promoting a better understanding of anti-corruption issues and approaches in international development. U4 currently has partner agencies from eight countries: Australia, Denmark, Finland, Germany, Norway, Sweden, Switzerland and the UK.

The mission of U4 is to ***identify and communicate informed approaches to partners for reducing the harmful impact of corruption on sustainable development.***

The demand for our expertise has grown steadily, as measured by invitations to contribute to policy-level events, additional projects commissioned, and headquarter visits. This reflects our contributions to the field of anti-corruption reform and development, as well as the increasing interest and activity in the field globally. U4 has distilled and channelled new evidence and knowledge into online training and in-country workshop modules. We have also become adept at promoting our findings into practitioner-oriented publications and events.

The major obstacle that corruption poses to global development is no longer in dispute and there is growing recognition of the globalised nature of corruption and the importance of international frameworks to address the problem across borders. This includes the Sustainable Development Goals (SDGs), which place corruption squarely on the global development agenda.

#### Background to the U4 Innovation Lab

There is growing dissatisfaction with the effectiveness of anti-corruption approaches. Practitioners and researchers point to major evidence gaps and limited understanding of what contributes to success in anti-corruption reforms. This has led to the questioning of the assumptions behind existing anti-corruption initiatives and not least about how they relate to the systemic factors that maintain corruption in specific contexts. The problem of corruption is complex in most developing country contexts, which points to the theories of complexity and systems thinking as offering valuable guidance for developing future strategies to address corruption.

There is also an increased understanding of the multifaceted character of the problem of corruption across sectors and contexts. In particular the shifting character of the problem across contexts has been pointed out in recent research as a fundamental weakness in approaches to address corruption. The problem also exists in the interaction between countries – developed and developing alike – where loopholes, lax enforcement and systemic weaknesses create opportunities for corruption to thrive. Furthermore, the existing anti-corruption knowledge is not fully taken up across the aid sector, for various reasons, preventing necessary improvements.

#### The U4 Innovation Lab

The purpose of the U4 Innovation Lab is to test recommendations, ideas, methodologies, hypotheses, and assumptions relevant for anti-corruption, derived from research and experiences. These interventions can be short-term or stretch over a period of several years, depending on the type of activity or test object/prototype involved. The common denominator is to embrace the risk of testing

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the new, with a view to generate knowledge that can limit the risks of larger scale interventions, while achieving greater impact.

These innovation pilots, identified in close consultation with U4 partners in the U4 Partner Forum, will allow us to collect empirical evidence on new and/or untested anti-corruption approaches. Through action research, we can help close the learning loop, feed findings and lessons learned into recommendations for partner agencies and for future research. This will make a direct contribution to the evolving body of evidence on which anti-corruption interventions work, why and under which conditions.

### The U4 Innovation Framework

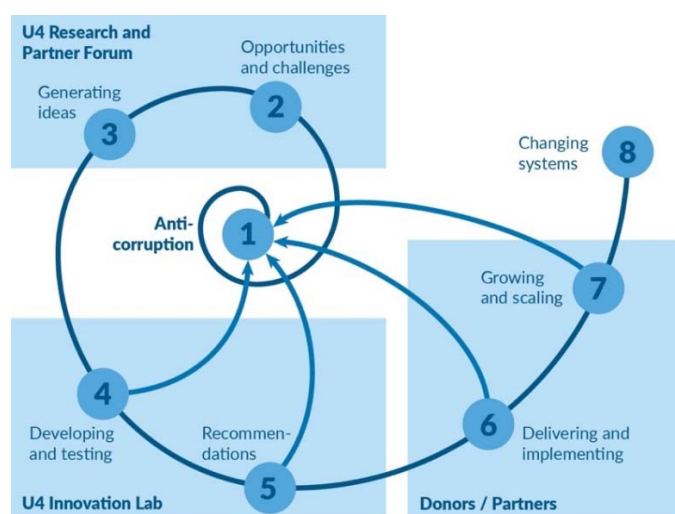


Figure 1. The U4 Innovation Framework

Based on the experiences and research by actors specialising on innovation, U4 proposes a simple framework to encourage more precision on the different stages that can be found in almost any innovation process.<sup>1</sup> The framework helps clarify the types of action and support that works best for different stages, including the allocation of responsibilities between different actors.

Innovation processes start with the ability to observe and listen, understanding changing patterns of need or new opportunities (2). The sources are wide-ranging but U4's research, as well as the Partner Forum, are expected to contribute to this. Next comes the generation of ideas (3), followed by the evidence stage in the U4 Innovation Lab (4), aimed at discovering whether ideas really work, and how they can be improved. If they work, U4 provides recommendations (5) for putting them into practice. Donors/partners may then choose to implement recommendations (6), and where they have wider contextual scope, they can be scaled or spread (7). Finally, the outcome of the best innovations result in a rethink of whole systems (8) relevant for achieving the desired U4 donor outcome of *reducing harmful corruption for sustainable development*.

<sup>1</sup> Bound, K. and B. Ramaligam (2016) Innovation for International Development. London: Nesta, pp. 218-219.

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Whereas the U4 Innovation Framework represents the larger process with its various components, an example of what the eventual development and testing phase may look like is outlined in Figure 2 below.

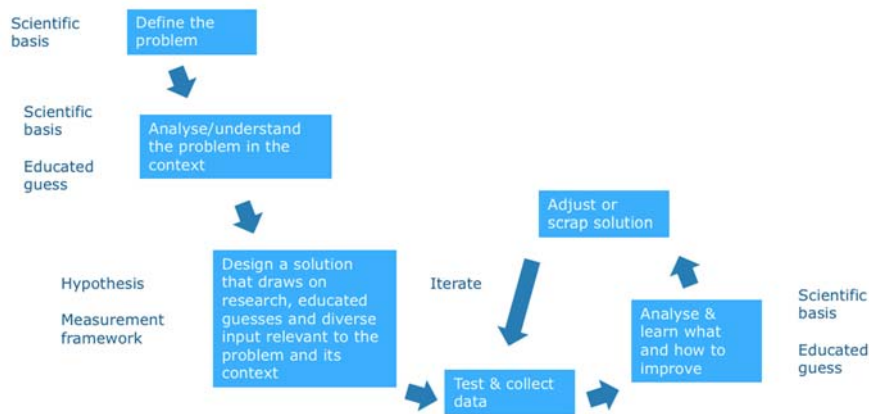


Figure 2. Experimental approach to finding solutions to complex problems

### Types of Innovations That the U4 Innovation Lab May Develop and Test

The ultimate purpose of the U4 Innovation Lab is to **contribute to fulfilling the U4 mission by helping to develop innovative approaches and conduct research that can contribute to prevent the harmful impact of corruption on sustainable development.** At this point, the options for what to test are wide, and depend entirely on the ideas that are eventually selected by the U4 Partner Forum to test. The U4 Innovation Lab can be used for developing various ‘test objects/prototypes’ that eventually are tested as regards their effects, *such as*: policy and strategy ideas to address the problem of corruption; policy/strategy development approaches; methodologies to diagnose systemic factors and relationships/dynamics that sustain corruption; anti-corruption reform implementation methodologies; behavioural change hypotheses, mechanisms and levers; effective approaches to win support for transformational reforms; relational assumptions; as well as functional and systemic aspects of informal institutions relevant for anti-corruption, etc.

### Study Objectives

The objectives for this study is to:

1. Provide a report consisting of two parts: a) the important factors to consider based on literature review and interviews, and b) a comparison of the options for how to organise the U4 innovation Lab, given its mission and relationship to its funding partners, as well as the requirements for how to develop and test ‘test objects/prototypes’ that take account of the specific factors and dynamics that appear to influence the complex problem of corruption in complex environments.
2. Use the findings of the report to inform the U4 Steering Committee Meeting of the options for organisational set up and their respective projected consequences.

### Innovation Processes to Resolve Complex Problems

Based on the experiences of other innovation labs in the area of development, there is an emerging consensus on the approach to systematically innovate which stresses a process characterised by strong

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problem description/framing, hypothesis formulation, experimentation and testing of a range of alternative solutions, short feedback loops, analysis and learning, finally followed by adaptation and new iteration.<sup>2</sup> One fundamental difference in how to approach anti-corruption policies today compared to previously concerns the understanding of the nature of the social problem of corruption in a particular context, which consequently informs the potential solution. Where the problem to address is simple and invariable across contexts, it can be addressed with the same solutions regardless of context (building a road or a bridge). That means the solution can easily be scaled across contexts.

But solutions to complex problems that require an understanding of local conditions using an experimental approach driven by data, feedback, learning and adaptation are very different. Scaling-up solutions/strategies that have effect on such problems appears to have less to do with scaling-up specific solutions but rather concern the scaling-up of *process expertise* that knows how to identify and understand the problems to address, and knows what process to use to develop strategies that also secure a suitable implementation approach. From that perspective, it may be that an innovation lab approach is what needs to be scaled up, while solutions will remain unique to each context, using an iterative and emergent approach to identify them.

### Role and Influencing Factors

The choice of approach to test an idea must take account of how contextual factors can influence data feedback used for learning and innovation prototype adjustment. It is highly unlikely that the same prototype will produce the same data feedback in two different contexts where the problem to address may be defined similarly, but the factors and dynamics that influence it differ. This has direct consequences for how to organise the U4 Innovation Lab. Each idea approved for prototype development and testing is a project that ends with a final assessment contained in a report. The organisation of each innovation project will require of the U4 Innovation Lab to have a structure that allows for flexibility in adjusting to the respective demands of the innovation projects, similar to research or development projects.

The specific role of the U4 Innovation Lab in relation to the innovation projects can be expected to be flexible depending on the various components, actors and institutions involved in an innovation project. It is likely that certain functions will be central: to publicise calls for proposals, to receive and review proposals (ex officio and planned), to review research and identify promising developments, to encourage discussion and exchanges of ideas, to identify potential project and lab partners, to encourage and facilitate cooperation for innovation projects, to take charge of and organise innovation projects (curation), to assess project capacity and resource needs, assess and develop project budgets, partner negotiations and contracting, facilitation of project implementation, contract management and reporting to U4 members.

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<sup>2</sup> Aleem Walji (2016) *Why innovation seldom scales, and what to do about it*, in *Innovations for International Development* by Ramalingam, B. and Bound, K. London: Nesta.

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### U4 Partners

The U4 partners fall into three categories:

- the *funding partners* that fund and steer U4 through the annual Steering Committee Meeting, and who are the immediate audience/targets for the work produced by U4;
- anti-corruption practitioners, researchers and institutions that U4 has a contractual relationship with;
- anti-corruption practitioners, researchers and institutions that U4 collaborates with without having a contractual relationship

For the purpose of supporting the U4 Innovation Lab, The **U4 Partner Forum** will be a regular forum for partners to discuss and develop strategies to improve the effectiveness of anti-corruption interventions. These fora will offer a space for discussion and exchange, allowing partners to gauge interest in specific ideas; seek cooperation and funding opportunities; understand how a specific concern fits with other issues and emerging donor policies; identify interest in testing ideas, methodologies, hypotheses, and assumptions through the U4 Innovation Lab; discuss how to cooperate to achieve testing requirements as part of the Innovation Lab, and share lessons learned as they are identified.

Subsequently, at the U4 Partner Forum new ideas for anti-corruption will be presented, discussed and decided upon. One of the specific strengths of the U4 Innovation Lab is the potential to collaborate with the funding partners on innovation projects by inclusion in existing development projects or in future projects. The initial idea is that this opportunity may contribute to shortening the time from innovation project approval to project finalisation. However, whereas the funding partners have agreed in principle to the idea of the U4 Innovation Lab, little is known about the feasibility of this arrangement and if so, what the modalities for that are, given the many structural constraints of the funding partners. This study will help establish this feasibility of this opportunity and the modalities required for such collaboration. It is anticipated that a set of common and neutral selection criteria will be developed for choosing innovation projects to avoid the risk of funding partners seeing the U4 Innovation Lab as an opportunity to improve value for money for their own agency rather than for the funding partner collective as a whole.

In consideration of the required capacities and resources of the U4 Innovation Lab, the initial idea is to use a flexible partnering strategy that aims to assemble the required resources for the respective innovation project. The parameters for choosing the strategy to do that, and what the strengths and weaknesses are of the various options are unclear and is something this study will contribute to clarifying. As a novel part of the U4 portfolio, there is a need to find a flexible organisational formula that avoids taking on too high fixed costs before viability and value have been established. Experience show that many Innovation Lab fail the test of viability beyond the start up for various reasons.<sup>3</sup> The question of managing risk is therefore central to the establishment of the U4 Innovation Lab.

### Data Collection Across the Innovation Stages

As suggested by Figure 2 above, any innovative process relies heavily on data collection and analysis. One option for allocating the responsibility for data strategy and collection is that each individual

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<sup>3</sup> European Commission (2013) Guide to Social Innovation. Brussels: European Commission.

Available from:

[http://s3platform.jrc.ec.europa.eu/documents/20182/84453/Guide\\_to\\_Social\\_Innovation.pdf](http://s3platform.jrc.ec.europa.eu/documents/20182/84453/Guide_to_Social_Innovation.pdf)

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innovation project -overseen and facilitated by the U4 Innovation Lab (an adapted Project Director role)- has a team leader that is directly in charge of the specific project coordination and progress, including to ensure the quality of the data collection approaches throughout the process. But there are many other options, depending on the capacity composition of the members of an innovation project. The best way to allocate responsibility may not be useful or possible to fixate as that can lead to unreasonable costs and loss of quality. Nevertheless, the options for how to organise the U4 Innovation Lab must take these matters into account.

As for methodologies to establish outcomes and isolate influence of various factors, more than half of USAID's Development Innovation Ventures (DIV) grantees use randomised control trials (RCT) applying rigorous principles of testing.<sup>4</sup> An emerging lesson at DIV is the need to improve understanding of *what types of evidence are best for the different types of solutions tested (testing the prototype) and for the various parts of the prototype development*. Quicker, more process-oriented tools like key performance indicators (KPIs) are often required as parts of the iterations of an innovation process, or to measure the outcomes that matter most.<sup>5</sup> Field testing with a large sample can be the most time-consuming, but lab tests can be completed within days if time is constrained. If the solution is complex, it may be possible to test a crude prototype with a small sample of users to refine the design. For iterating on a design, it may also be possible to use a methodology that relies on proximate indicators for the outcomes sought. A general principle in work on innovations is the principle of learning required to get it right. Each failed iteration is a valuable learning opportunity, provided the necessary data is collected and their analysis is qualitative.

Innovations that seek to achieve impact at systems level have used *system dynamics principles to understand whole systems*. Systems mapping can be used for understanding patterns of interaction and *key dynamics*, informing change strategies or methods that focus on 'leverage points'-a place where a positive, relatively small change is more likely to be amplified and create a bigger change able to address the problem.<sup>6</sup> Leverage points can lie in: changing a driving factor, or breaking links between factors. Here, an innovative solution would need to measure the change to the leverage point, the change in feedback to the system due to such change, and the effects on the targeted behaviour.

Behavioural Design Theory is another approach to innovating solutions to the complex problem of corrupt human behaviour.<sup>7</sup> The methodology resembles other iterative innovation processes but starts from a body of knowledge in behavioural science: defining a clear problem, diagnosing it, designing solutions that draw on insights from scientific literature to develop hypotheses, testing while collecting data to learn how to refine the effectiveness of the initial solution, and then scaling the solutions (where possible). This approach resembles the systems approach but may differ in the focus on what to measure.

Whatever the eventual idea is that requires development into a so called 'test object/prototype', U4 needs to carefully consider the best approach to measure and analyse it. While academic research has high demands for the robustness of empirical evidence, that same high level of robustness may not be required for iterative processes with short feedback loops intended to contribute to the prototype development stage. Also, the type of evidence that is best suited for the different types of solutions to

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<sup>4</sup> Ramalingam, B. and Bound, K. (2016) *Innovations for International Development*. London: Nesta, p.29.

<sup>5</sup> Ibid, p. 30.

<sup>6</sup> Chigas, D. and Ricigliano, R. (2011) *Systems thinking in conflict assessment –Concepts and application*. Washington DC: USAID, p. 9.

<sup>7</sup> Tantia, P. (2017) 'The New Science of Designing for Humans', *Stanford social Innovation Review*, Spring.



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test the effect of will of course differ. Finally, the required measurement development and data collection process will inform the cost structure and capacity needs of prospective innovation projects.

### **Innovation Lab Outputs and Communication**

The U4 Innovation Lab is expected to have its own web page, with information about innovation projects being tested, progress reports and results of finalised testing, including recommendations. One or two public events can be expected to be organised annually, as well as participation in others' events to build collaborative relationships, and to present and discuss findings when that aligns with the U4 mission statement. Specific internal communication capacity for the various innovation projects will also be required that is flexible, provides efficient reporting, and overview of progress, risks, work plans and resource use. Ideally, it would also provide an efficient platform for integrated communication that makes coordination and between stakeholders efficient and easy, regardless of geographic location.

### **Outputs**

- 1. An inception report containing: report structure; interview framework and motivation for the selection of sources to interview –including a brief description of the respective lab; an outline of the main organisational considerations to interrogate (informed by this ToR and discussions with Project Director); a rough work schedule over the various phases of the project.**
- 2. A study report that satisfies the study objectives (maximum 50 pages excluding annexes).**

The inception report needs approval by the Project Director before continuation.

### **Methodology**

Desk review of literature and telephone/Skype interviews with *staff of other innovation labs*, with *U4 staff* and *the eight funding partners*. Travel is not expected.

### **Person-days allocated**

Max. 25 days are made available for the work.

### **Tender Proposals**

The tender proposals shall contain:

- Proposal describing experiences and suitability of the tenderer for the task
- CV
- Understanding and proposed execution of the task
- The exceptional value of the proposal for executing the task
- All-inclusive consultant fee

The electronic proposal shall be sent to:

Fredrik Eriksson: [Fredrik.Eriksson@cmi.no](mailto:Fredrik.Eriksson@cmi.no) and Sara Ögmundsdottir: [sara.ogm@cmi.no](mailto:sara.ogm@cmi.no)

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### **Deadlines**

Proposal: **28 April 2017**

Inception report: 1 week after the date of signed contract

First draft: 5 weeks after date of approved inception report

Final draft: 2 weeks after date of returned commented draft

Observe: U4 will ensure a swift response to the inception report and the first draft.

### **Project Director**

Fredrik Eriksson, Senior Advisor, U4