OECD Innovation for Inclusive Growth Project
Advisory Group Meeting

Date: 5 January 2016
Summary Record

The agenda, meeting documents and the presentations can be found on the project’s community of practice on the innovation policy platform.

Requests to the Advisory Group

- The next Advisory Group meeting will take place on 11 March 2016 at the OECD headquarters in Paris back-to-back with the CSTP Meeting of 14-16 March 2016. The discussion will focus different policy approaches to addressing inclusiveness. Kindly confirm participation by 31 January 2016.

- The project welcomes suggestions on the policy toolkit template, on the possible electronic format that would be most useful for the toolkit as well as submission of further policy cases of innovation policy programmes that aim to support territorial, industrial and social inclusiveness.

Meeting Objectives of 10 December 2015

The objectives of the Advisory Group Meeting of the Innovation for Inclusive Growth project were to:

- Discuss recent activities (including the “OECD Ministerial Meeting Daejeon 2015 and World Science & Technology Forum” held this October in Korea) and plans for 2016;

- Present and discuss the initial results of the analytical work of the project, including empirical evidence and policy cases to set out orientations for 2016;

- Exchange experiences on national innovation policies for inclusiveness to be included in the policy toolkit.

Contact

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Summary

Update on Recent Activities and Project Timeline

Dominique Guellec and Caroline Paunov, OECD, Update on recent activities and presentation of the agenda

Dominique Guellec opened the meeting emphasising the relevance of the project in discussions about future work activities in 2017-18. The Committee for Scientific and Technological Policy (CSTP) will decide on its work agenda in March 2016.

Caroline Paunov provided an overview of Innovation for Inclusive Growth project activities in 2015 described progress on different streams of work, and presented plans on the agenda for the project as described in her presentation (see also page 7-8 below).

Yongsuk Jang, Program Director, STEPI, Korea: Conclusions from the “OECD Ministerial Meeting Daejeon 2015” and perspectives on global inclusiveness

Yongsuk Jang shared his perspectives of the OECD Ministerial Meeting Daejeon 2015 and highlighted in particular the discussions on global inclusiveness, which are relevant for this project. Global inclusiveness is about ensuring that knowledge and best innovation policy practices are shared globally to address striking welfare effects. Moreover, while he noted the importance of additional dimensions of inclusiveness beyond income inequality, including gender equality, he also stressed the need to be selective for the project’s policy analysis to be as specific as possible. The three dimensions of industrial, territorial and social inclusiveness could be useful categories.

Dr. Li Zhe, Hao Junchao and Li Yan, Chinese Academy of Science and Technology for Development (CASTED), China: Overview of current research on inclusive innovation

Li Yan and Hao Junchao gave an overview of China’s policies that have addressed inclusive innovation starting as early as 1978. Several initiatives have been implemented to foster agricultural and rural development (Spark programme) and to support more widespread industrial development that empower small and micro enterprises and grassroots innovators. Additional details on some of these programmes can be found in their presentation.

Discussion

During the discussions, the importance of conducting evaluations of policies that aim to address inclusiveness was emphasised by several participants. Currently, many programmes are pilots that have only recently been implement so that the evidence on their impacts if often scarce. Other policy instruments that were not directly targeting inclusiveness often did not include the effectiveness of policies to address inclusive growth directly.

Moreover, the importance of science, technology and innovation (STI) for development and development assistance was emphasised. Often STI matters receive insufficient attention in discussions about global development aid.
Project Framework and Empirical Evidence

Caroline Paunov/ Dominique Guellec, OECD Presentation of the project framework (Caroline Paunov)

Caroline Paunov presented the project’s current conceptual framework. The framework identifies three mechanisms through which innovation may contribute to increasing income inequalities: 1) higher market concentration and rents in markets for knowledge products; 2) higher risk in knowledge-based economies; and 3) opportunities for reaching scale without requiring large labour inputs. By contrast, 4) if there is a reduction in entry barriers and consequently the democratisation of innovation, then inequalities may decrease. The presentation provides more information.

Discussion

Rajneesh Narula emphasised that while many different factors may leading to rising inequalities, the main emphasis should be set on identifying ways that could help address any challenges innovation may raise. Not all income inequality may be evitable: for instance, the eradication of inequalities stemming from rewards to successful innovators may discourage innovation efforts. A particularly important policy question regards ways to foster the democratisation of innovation (i.e. increase the number of people engaged in innovation activities). This requires exploring approaches to widen access to knowledge infrastructure and source of financing. Finally, he highlighted the importance of finding good measures for innovation to measure well how different types of innovation may affect income inequality. Additional details can be found in the presentation.
Stefano Baruffaldi, OECD, Presentation of the preliminary empirical evidence

Stefano Baruffaldi presented results of the econometrical analysis at country level. The analysis to date, which is based on data for 18 OECD countries for 1998-2012, shows that innovation indicators and top income inequality are correlated. Industries labour share of income is also negatively related to patenting activities. Further evidence will analyse impacts of innovation on market structure and evidence on the democratization of innovation. More details can be found in the presentation.

Policy Toolkit Part 1

Cynthia Lavison, OECD, Presentation of the policy toolkit template and the collection of policy cases

Cynthia Lavison presented the project’s policy toolkit. The toolkit is to become a searchable repository of policy profiles of innovation policies with an explicit focus on social, industrial and territorial inclusiveness. She presented the policy template and provided an overview of progress in policy collection. More details can be found in the presentation.

Shai Somek / Rita Goldstein, Permanent Delegation of Israel to the OECD: Innovation policies for inclusiveness in Israel

Shai Somek emphasised Israel’s continued interest in participating in this project because it reflects challenges the Israeli economy is facing. While Israel is a world leader when it comes to R&D investment, inequalities in the country are substantial. Only a small part of the economy operates at the frontier while many businesses are far behind. Shai Somek presented three policies currently being implemented in support of industrial, social and territorial inclusiveness to address this dual economy challenge: the first aims to foster innovation in traditional, low-tech industries (industrial inclusiveness); the second one is targeted at ultraorthodox and Arab-minority entrepreneurs (social inclusiveness); the third one incentivises private companies to establish R&D centres in periphery regions of the country (territorial inclusiveness). More detailed descriptions of the programmes can be found in the policy case collection document.

Discussion

The discussion the importance of governance to ensure policy coordination was highlighted as often many different government institutions are involved to address inclusiveness. The relevance of building on regional assets to achieve effective implementation of policy objectives was also emphasised.

A major challenge for policies that aim to strengthen inclusiveness is for them to identify grant recipients that will succeed to justify support that was not provided to leaders.

Ian Hughes, Senior Policy Advisor, Department of Jobs, Enterprise and Innovation, and Paula Maguire, Enterprise Ireland, Ireland: Innovation policies for inclusiveness in Ireland

Ian Hughes discussed how Ireland’s new innovation strategy (Innovation 2020) and its new Enterprise policy (Enterprise 2025) address different aspects of inclusiveness. Inclusiveness is sought not only from a social perspective to contribute to well-being, but from very much a socio-economic perspective. In particular, reaching out to economic sectors and regions that have so far contributed little to the national economy is a main objective to promote sustainable income and employment sources. The need for diversification arose following the impacts of the global financial crisis that
affected Ireland substantially, specifically as its economy relied critically on a few core sectors and regions.

Paula Maguire provided detailed explanations on how Enterprise Ireland is promoting growth as well as inclusiveness through its different initiatives focused on woman entrepreneurship, youth entrepreneurship, development in peripheral regions and non-innovation-intensive sectors. She emphasised that these policies very much aimed at leveraging untapped potential and that evaluations had been undertaken to both evaluate success in inclusiveness and performance impacts of these inclusiveness policies.

Policy Toolkit Part 2: Social Inclusiveness

Cynthia Lavison, OECD, Initial policy cases on social inclusiveness

Cynthia Lavison discussed plans for the toolkit to be implemented as an interactive database on the Innovation Policy Platform with search options across multiple dimensions. She also gave an overview of the diversity of innovation policies in support of social inclusiveness that were developed in the pilot toolkit. More details can be found in the background document.

Antonio Martner, Ministry of Economy, Development and Tourism, Chile: Innovation for inclusiveness policies in Chile

Antonio Martner presented a case study of the “prototypes of social innovation” policy. The programme aims to develop prototypes of new solutions to solve social challenges through open innovation. Each project identifies major challenges in a region and issues an open call for innovations to solve them. The programme offers financial support to develop proof of concepts and prototypes of selected social innovations; the fund of about USD 1 billion has supported 11 prototypes to date. More details can be found in this sample policy case.

Territorial Inclusiveness

Karen Maguire, OECD, Territorial Dimensions of Knowledge Economy Factors

Karen Maguire shared initial findings of statistical analysis that looked at inter-regional gaps in innovation performance and the spatial concentration of innovation factors. With available regional data on the evolution of knowledge-based capital (KBC) and innovation over time, the initial analysis finds that gaps between the top and bottom 20% regions have been narrowing in most countries with lagging regions catching up. Over the last decade, regional rankings in various innovation related measured remained very stable, suggesting low mobility and limited impacts of policies that tried to improve the performance of laggards. More details can be found in the presentation.

Rafael Puyana, National Planning Department (DNP), Colombia: Innovation policy for territorial and social inclusiveness in Colombia

Rafael Puyana presented the “Royalties for Science, Technology and Innovation” scheme that aims to reduce income disparities between different regions in Colombia. The scheme devotes 10% of the royalties obtained from the extraction of non-renewable natural resources i.e. an amount of USD 1 billion USD during 2012-2105 to a fund for financing regional projects to build regional science, technology and innovation (STI) capacities. A major implementation challenges is the lack of institutional capacities and few viable projects in some of the least advanced regions. This has led to underspending on the project. Measuring and reporting impacts to help improve the project is another
challenge as the project has only been in place for a few years to date. More details can be found in the presentation.

Sandra Lizeth Cordova Solis, Ministry of Finance, Mexico: Innovation policies for inclusiveness in Mexico

Sandra Lizeth Cordova introduced two policy programmes that address social and industrial inclusiveness. She discussed the Prospera Programme, which aims to foster social inclusiveness by improving families’ abilities to generate income through three axes: financial education and services (financial inclusion), entrepreneurship funding (productive inclusion) and skills development (labour inclusion). Particularly the recently implemented productive inclusion dimension of the project aims to enhance grassroots innovation to in this way improve social inclusiveness. Currently several pilot initiatives are under way. A major challenge is the cost of implementing the programme and the lack of qualified volunteers needed to implement this programme.

Sandra Lizeth Cordova also introduced the “Special Economic Zones” programme. The policy supports territorial inclusiveness by providing incentives – including preferential tax treatment, more flexible labour market regulations and specific rewards for foreign direct investment – to establish industrial zones in the Southeast of Mexico. More details can be found in the presentation.

Discussion

The discussion focused on the identification of factors that promote the successful development of innovation capacities in previously laggard regions. Identifying and studying the few cases of regions that moved up in terms of innovation performance may be relevant to understand what types of policies can support addressing territorial inclusiveness. Moreover, studying how trends differ in different time periods for available indicator (notably patents) may give more information about how the knowledge-based economy may or may not have affected territorial inclusiveness.

The group also discussed the implementation challenges of policies of innovation for territorial inclusiveness. The importance of developing strategies for institutional capacity building to support project at the local level was identified as crucial. The importance of adapting innovation incentives to the context in terms of existing and potential capacities and sectorial specialisation was also underlined.
Overview of 2015 Activities

Evidence on Innovation and Inclusiveness

The 2015-16 project aims to release a final publication and a policy toolkit on the Innovation Policy Platform. The project’s work in 2015 has notably focused on producing evidence in support of this objective. Analytical work includes the following:

- **Analytical framework outlining possible linkages between innovation and income inequality in knowledge-based OECD economies:** Initial findings that build on the initial discussion of February/March 2015 will be presented during the meeting.

- **Empirical evidence on the innovation-income inequality relationship outlined in the framework:** Preliminary results will be discussed during the meeting including evidence from country-, industry- and firm-level data sources. Statistical work aimed at documenting territorial inclusiveness in OECD countries will be discussed.

- **Policy toolkit gathering policy cases documenting innovation policies with an explicit focus on industrial, territorial and social inclusiveness:** A template and a set of completed policy cases will be presented.

Ministerial Meeting of the OECD Committee for Scientific and Technological Policy

In 2015, the project has also contributed to the "OECD Ministerial Meeting Daejeon 2015 and World Science & Technology Forum" on October 19-22, 2015, in Korea. The event brought together both developed and emerging nations to create a partnership for achieving global cooperation in science and technology, aiming for sustainable and inclusive growth. The project’s findings contributed in particular to policy discussions around a dedicated session on global inclusiveness.

Innovation for Development

The project continued its work on mobilising Intellectual Property (IP) systems in support of innovation and economic development in emerging and developing economies. A country review of Malaysia, “Boosting Malaysia’s Intellectual Property System for Development” was released on 28 September 2015. The project is currently working on a country review of Kazakhstan's national IP system.

Communication Materials

The project has updated its communication strategy and online presence. This includes a new brochure that presents the project, its objectives and activities as well as main policy messages to the outside community. Regarding the online presence, the project team has further developed its Community of Practice (CoP) on the OECD-World Bank Innovation Policy Platform and updated its webpage.
Background

Project Overview

Innovation is a major factor of economic growth, hence of increase in income and well-being in the long term. However it does not affect the income of all categories in the population in the same way. Innovation policies also play a major role in shaping the knowledge-based economy and consequently the distribution of rewards and losses among different groups in society.

The "Innovation for Inclusive Growth" project analyses how increasingly knowledge-based economies shape innovation's impacts on income inequality. The project also analyses innovation for development.

The major policy questions this project addresses are the following:

- What is the impact of innovation on income inequalities?
- What are the implications of such impact on innovation policies?

The project is led by the OECD Committee for Scientific and Technological Policy (CSTP); it benefits from inputs from the Territorial Development Policy Committee and the Centre for Educational Research and Innovation. The project works in close cooperation with its Advisory Group.

The project contributes to the OECD’s Inclusive Growth Initiative and to the Next Production Revolution (NPR) project, which explores the risks and opportunities of technology-driven changes in production over the next 10-15 years. Project findings will also provide inputs to the OECD’s June 2016 Ministerial Meeting which is to focus on inclusive productivity.

Further information is provided at http://oe.cd/inclusive.

Advisory Group Composition and Functions

The Advisory Group is composed of representatives from the project's partner countries, delegates from the OECD Committee for Scientific and Technological Policy and experts. It has representation from Austria, Chile, China, Colombia, Costa Rica, India, Israel, Korea, Mexico and South Africa.

The Advisory Group's gives inputs on the scope of the project at key stages, provides information on relevant policy developments and case studies and conducts analyses in support of the project. The Advisory Group also plays a role in promoting the project.