

# Advisory Group Meeting of the “Innovation for Inclusive Growth” Project

Paris, France - 19 March 2014

## Summary Record

### Introduction

The objective of the second advisory group meeting was to discuss project developments following the Istanbul meeting and to decide on next steps, in particular work undertaken in preparation of the final publication and plans for upcoming events and meetings. This includes discussions about the high-level conference scheduled for January 2015. The meeting also served to discuss country experiences from Colombia, China, India and South Africa and ongoing related projects conducted by the OECD. Possible future collaboration opportunities with the Global Research Alliance were also discussed.

### A. Important Items / Follow-ups

- **Next Meeting:** A special session of the **OECD Forum on Development** on **2<sup>nd</sup> July 2014** at the OECD in Paris will focus on this project and provide an opportunity to communicate with a wider group of stakeholders. The next **Advisory Group meeting** will take place **3<sup>rd</sup> July 2014**. Invitation letters jointly with a draft agenda will be provided.
- **Defining the Key Concepts:** Advisory Group members’ specific comments, suggestions and documents regarding definitions are most appreciated. The revised policy framework which reflects discussions in Istanbul will serve as a starting point. Feedback on this question by 29 April 2014 is very welcome in order to provide sufficient time to inform ongoing work on the publication.
- **Country Studies Deadline:** Country studies reflecting policy experiences need to be finalised by the end of May/early June 2014. They will be discussed at the Advisory Group meeting of 3<sup>rd</sup> July 2014 and as part of the session of the OECD Forum on Development.
- **Background Studies for Feedback:** The OECD will circulate a series of background studies that will inform the final publication to the Advisory Group and experts by June 2014 for feedback. Deadlines for commenting will be indicated when those studies are sent out.
- **Final Event:** The Advisory Group decided to aim for organising a **final high-level event in New Delhi, India in January 2015** to present the project publication. Professor Mashelkar kindly offered to jointly organise the event with the OECD. The event would be organised jointly with the MEIDE conference, an academic conference that has been set up by UNU-MERIT that would solicit in particular contributions regarding inclusive innovation. A first tentative agenda will be discussed at the next Advisory Group meeting following India’s elections.
- **The 2015 CSTP Ministerial Meeting:** Inclusive growth has a global dimension, and “North-South” inequalities are central issues. This broader view of Inclusive Growth is one of the possible subjects of the 2015 Ministerial Meeting of the Committee for Scientific and Technological Policy (CSTP) that is to be held in Seoul.

### B. Ongoing Project Work

An overview of the project was provided ([see the presentation](#)), including an overview of the work on inclusive innovation in education ([see the presentation](#)). The **tentative publication outline for the publication** – which would be launched in January 2015 - is as indicated below:

- **Introduction: Overview of the Challenge of Industrial, Social and Territorial Inclusiveness**
- **Chapter 1: Innovation and Its Policies and Their Impacts on Inclusive Growth**
- **Chapter 2: Expanding Inclusive Innovations**
- **Chapter 3: Specific Case: Inclusive Innovations in Education**
- **Chapter 4: Policy Perspectives for Advanced and Developing Countries**

Several studies, which each focus on different dimensions of the project, are currently under way to feed into the publication. This includes three framework studies:

- **Innovation and Inclusive Growth.** This study looks at how innovation and its policy affect growth as well as industrial, social and territorial inclusiveness and identifies policy trade-offs and complementarities.
- **Scaling-up Inclusive Innovation.** The study focuses on opportunities for scaling up inclusive innovations and focuses specifically on success stories and the question of how policy can support the success of inclusive innovation.
- **National Intellectual Property Systems.** This study looks at the role of IP systems in supporting inclusive development. Notably, it identifies how the IP system can be designed to provide opportunities for smaller businesses and traditional sectors.

Background empirical analyses are also undertaken including the following ([see background document for further details](#)):

- **The unequal effect of India's liberalization on firms' decision to innovate: do economic conditions matter?** This study looks at India's liberalization policies and its effects on differently sized firms. Liberalization policies benefited larger firms disproportionately, but additional policies could foster a more egalitarian distribution of benefits.
- **Access to intellectual property: how corruption hinders equal opportunities for firms.** This study looks at the impact of corruption on firms' access to intellectual property rights. It finds that smaller firms are most affected by corruption compared to larger businesses.
- **Has the internet fostered inclusive innovation in the Developing World?** This study investigates the effect of ICTs on firms' innovation performance and to what extent they facilitate the "democratization of innovation".



The project on inclusive innovation in education starts from the observation that education is critical to escape poverty and to support grassroots innovation. Several questions arise including **i) scaling up, which is a particularly complex topic in this context:** Models in education that work well at the micro or meso level do not always translate well at the macro level: desirability of scaling up varies. Also, **ii) there is a problem of evaluation.** Measuring the success of innovations in education is complex because the goals of education are multiple and subject to discussion: aside from knowledge accumulation, education also has other objectives including social ones (e.g. creating social capital and capacity building). The role of these complementary goals in the actual returns to education can be substantial and needs to be taken into account. Moreover, **iii) the traditional methodologies for frugal innovation are not easily applied to innovation in education.** For example, deskilling is much more complex / undesirable than in other domains. Innovation in education can be on the form of delivery rather than on education methods themselves: intensive use of the building to cut costs, or use of incentives to increase attendance (e.g. serving a free lunch).

**Members of the Advisory Group emphasised the following important questions for the publication:**

- **Clarifying definitions of various concepts related to inclusive innovation further will be critical** so as to establish a common language. The vocabulary is central in the understanding of the project objectives and the project has the opportunity to set standards in that respect. This would also help support setting up a novel measurement agenda on the questions of innovation and inclusive growth. Impacts studies, such as randomized control trials, are critical to evaluate better the potential of inclusive innovations in view of maximising their impacts. The project could identify key indicators for measuring inclusive innovation and policies based on the existing data availability. Several members of the Advisory Group have expertise regarding this question and will support the work on definitions.
- The Advisory Group member countries face similar challenges when it comes to the question of inclusive innovation. The group agrees on the **need to reflect on what has and what has not worked** with a specific focus on success stories.
- **Regarding the focus of the analysis on inclusive innovation, the following points were raised:**

- **Grassroot innovations** and the contribution of inclusive innovation towards fostering entrepreneurial activities of excluded groups are critical topics for discussions.
- **The focus of the publication has to be on innovations** and exclude a wider set of initiatives aimed at supporting inclusive development. This will facilitate formulating concrete policy recommendations while too broad a definition will render identifying conclusions much more challenging.
- **It is important to focus on the “disruptive innovations” – i.e. on the innovations that have been successful at a larger scale and that allow for a fundamental change.** Only those cases allow for widespread impacts and it is those that are at the core of policy. Only a handful of inclusive innovations have to date been successful in that regard.
- The **role of the private sector** has to be central as only business involvement will allow for larger scale sustainable inclusive innovation initiatives.
- It will be important to discuss **implications for international development assistance efforts** based on current developments in this specific field.
- **Institutional policy implementation questions are also important:** Co-ordination across different ministries and different levels of governance (from the national to the regional) are particularly important. Moreover, developing countries may lack institutional capacities to support innovation initiatives in support of inclusive growth. Reinforcing such capacities is critical for policies and international support can help in that respect.
- **Challenge of scarcity of resource creates a sharp trade-off** in budget allocation between traditional innovation policies and efforts to increase inclusiveness. A full discussion of policy implications for inclusive growth strategy needs to focus on trade-offs and complementarities that may arise.

The project’s conclusions will feed into various upcoming projects including the following two: First, finding ways to measure inclusive innovation could be an important item on the agenda when the Oslo Manual is revised. Second, an upcoming project on the next industrial revolution aims to look at future technology trends and their impacts. One of the critical dimensions would be inclusiveness. Third, the project will also support the future innovation for development agenda including possible future work on how international support for S&T capacities in developing countries can support their STI performance.

### C. Policy Perspectives

Overall, presentations by Advisory Group members pointed to the importance of the topic, with inclusive innovation initiatives attracting interest from both policy makers (with explicit inclusive innovation agendas in all of the project’s key partner countries) and the private sectors (with major companies displaying interest in the market represented by the “bottom of the pyramid”). These moves offer a promising ground for affordable excellence (aspiring to produce quality goods for less as opposed to the traditional view of discounted – in price and quality – goods for the poor). Healthcare is a sector in which affordable excellence is especially central. An example of inclusive innovation in that sector is the Narayana Health hospital in Bangalore, India, which developed a methodology for low-cost high-quality heart surgery. Moreover, similar programmes are implemented in elsewhere to improve the livelihood in rural areas for example. They also share common challenges in the issues of scaling up, as well as developing suitable impact assessment schemes.



#### *Perspectives on Korea’s policy experience regarding industrial and territorial inclusiveness – Yongsuk Jang, STEPI, Korea*

Yongsuk Jang discussed Korea’s policy experiences and noted that during the 60s, Korea opted for a “picking the winners” development strategy. By sponsoring strategic industries (conglomerates) and research institutes the country achieved fast and strong economic development. However, the regional and industrial imbalances that resulted from this growth strategy had significant side-effects which are visible today. The disparities between big and small cities and the concentration of resources in the Seoul metropolitan area are a direct inheritance of these policies. Because these inequalities come at a high social cost, reducing them is one of Korea’s current focuses. Further explanations will be provided in a document on Korea’s policy experience on those questions.

*Perspectives on Colombia's Social Innovation Policy Colombia – Rafael Puyana, National Planning Department of Colombia*



Social inequalities in Colombia are substantial; these are often reflected in significant differences across regions. Colombia's policy on **innovation for inclusive development** focuses on three areas: a) **capacity building** to create sound foundations for an S&T and innovation driven growth; b) **territorial inclusiveness with respect to innovation** notably as 10% of royalties from fossil fuel are invested in an innovation fund, helping build STI capacities to different regions including those that have only weak capacities; c) **social innovation policy aiming to create a participatory framework** which by making use of ICTs mobilizes communities in the identification of challenges and the development of solutions.

Colombia aims to remove barriers to social innovation as well as create incentives to innovate, and has articulated several initiatives around that goal. Finding individual efforts and supporting their scaling up is also central. Colombia's policy on **inclusive innovation** includes the following:

- **The promotion of cooperation** (between innovators, with citizens, public-private partnerships, etc.)
- **The development of regional capacities** (bringing social innovation in regional STI agendas). This is being implemented through strengthening SI regional nodes (nodes are interdisciplinary groups within the government that tackle specific issues, including regional ones).
- **Development of financial and non-financial services**. This implies the design of a complete package for social entrepreneurship including special funds, as well as the coordination of knowledge management, training and coaching effort from both national and local authorities.

*Policy Examples from South Africa – Nonhlanhla Mkhize, Department of Science and Technology, South Africa ([see the presentation](#))*

Inequality has been a central point in the South African policy agenda ever since 1994. Shortly thereafter, the white paper on science and technology of 1996 introduced innovation as a factor for achieving inclusive development. South Africa has implemented several policy measures to promote innovation for industrial and social inclusiveness.

South Africa is **developing new policy mechanisms** to reach its goal of fully integrating innovation in inclusive development:

- Bilateral agreements between departments are being used to respond to specific issues with good success so far (e.g. with one department undertaking research and development and the other taking charge of scaling up once the solution is found).
- An inclusive innovation for development fund is envisaged.
- South Africa is also in the process of implementing regional innovation forums, with the idea to introduce inclusive innovation to local innovation agendas. Each province would have a provincial innovation programme that should align with the national agenda.
- South Africa's inclusive innovation policy focuses on tackling the very **high unemployment levels; mapping the innovation system** to identify the potential role for policy intervention to improve access, outputs, and outcomes as well as **ICTs and technologies for better water, sanitation, education and health services**.



Challenges regarding policies for innovation for inclusive growth include: a) a **need to improve coordination** between different ministries as relevant initiatives are being carried out across the government and b) a **need for indicators** to properly measure impacts of innovation on inclusive development. South Africa is in the process of developing a research agenda to further support its policies on innovation and inclusive development.



The Chinese economy grows at a substantial rate and its innovation performance is improving as well. However, the growth process also leads to challenges including providing welfare to a growing urban population.

The government has taken a series of recent reforms for innovation and inclusive growth, with several policy documents adopted since 2011. The use of technology to support the delivery of public services in education and health is one priority. China has introduced a low-cost health system aimed at providing healthcare in urban areas. China's innovation policy also supports the development of low-cost devices to improve public service delivery, such as a portable examination unit for general practitioners operating in rural areas. Regional inclusiveness is another including a new national plan for new types of urbanisation (2014-2020). An innovation-driven cities initiative is also underway. It will target 16 cities.

***India's Inclusive Innovation Fund, the role of intermediary institutions and other policy approaches towards inclusive growth – Venni Venkata Krishna, Centre for Studies in Science Policy, School of Social Sciences, Jawaharlal Nehru University*** ([see the presentation](#))

India's innovation policy has for long debated the question of inclusive growth. Two development models have been experimented with: i) the "Nehruvian model", which emphasises development of big S&T infrastructures and the role of leading public and private research institutions to lead development, and the "Ghandian model", which calls for a decentralized development process centred around villages supported by corresponding institutions.

In its 11<sup>th</sup> and 12<sup>th</sup> five year plans (respectively 2007-2012 and 2012-2017), India has developed one of the largest social innovation programmes in the world emphasising rural development in particular. Key elements of India's inclusive innovation policy include among others:

- The **National Innovation Foundation (NIF)**, an institution that documents and supports grassroots innovations across India and their possible scaling up.
- The **India Inclusive Innovation Fund (IIF)**, inspired by venture capital and funded at 50% by the government and 50% by the private sector, was recently launched to support inclusive innovations.



Examples of inclusive innovation initiatives in India include not-for-profit initiatives such as the Barefoot College in Rajasthan (targeting uneducated people and building upon logic, knowledge and technology to innovate for the people's welfare) and the Jaipur foot (a low-cost prosthetic foot developed in the 60s – a Jaipur hand is under development).

Overall though, the development programmes are not linked to innovation: India is in need of more intermediary institutions (such as the Barefoot college or the NIF) connecting the formal innovation system to inclusive development, as well as more intermediary institutions fostering public-private partnerships.

#### **D. Collaboration and Future Events**



**The Global Research Alliance:** Professor Mashelkar described the activities of the organisation he is president of: the Global Research Alliance (GRA), an international network of nine research organisations<sup>1</sup> with jointly over 60,000 scientists and engineers. Inclusive innovation is a critical theme for GRA and reflecting its expertise it partnered with the World Bank in the recently launched Vietnam Inclusive Innovation project. The GRA offers to partner with the OECD for the organisation of the high level event that will accompany the release of the project publication in India. The GRA also wish to support the OECD in creating global inclusive innovation partnerships, by mobilizing its global knowledge networks to hold workshops and produce research papers.

**The OECD Forum on Global Development:** The OECD will organise its global forum on development

<sup>1</sup> Battelle(USA), CSIR (India), CSIR (South Africa), CSIRO (Australia), Danish Technological Institute (Denmark), Fraunhofer (Germany), SIRIM (Malaysia), TNO (The Netherlands), VTT (Finland)

on 2<sup>nd</sup> July. This provides an opportunity to discuss with participants from the development sector about innovation and to advocate the importance of the inclusive innovation theme as part of their agendas.

**The Final High-Level Event of January 2015:** The Advisory Group agreed on organising a final high-level event in New Delhi in India in January 2015. The need to think of a format for presenting the publication at a high visibility event, as well as the desirability to have a diverse panel of participants (in addition to the usual constituency) was also stressed. It was emphasised that high-level policy representation would be critical as would be participation of academic experts and importantly practitioners who could share their perspectives. Beyond this, the group expressed a strong interest in inviting a few inclusive innovators themselves to speak at the event as their perspective on the innovation system and the challenges and opportunities faced by innovators could prove very valuable. Participants also stressed the need to keep the focus on *innovation* for inclusive growth to avoid drifting away to simply inclusive growth at large.