

# Innovation and Inclusive Growth Advisory Group Meeting

Istanbul, Turkey - 24 October 2013

## Summary Record

The first meeting of the Advisory Group of the Innovation and Inclusive Growth project focused on sharing participating countries' experiences regarding innovation and inclusive growth and on identifying, based on these experiences, priorities for the OECD project.

The agenda of the meeting, presentations as well as feedback provided by participants prior to the meeting are available on the project webpage at <http://oe.cd/inclusive>.

### *Session 1: Project Overview*

Session 1 provided background information regarding the overall project objectives, its country focus as well as its timeline.

### *Session 2: Inclusive Innovation Initiatives*

Session 2 focused specifically on the experiences of South Africa, India and Colombia with regards to "inclusive innovation" policies. The perspective of an international aid agency, GIZ, on support for inclusive innovation initiatives was also provided. The following issues arose as part of the discussions:

- Importantly, for all three countries **inclusive growth is an important topic on the policy agenda and the direct role of science, technology and innovation is also part of this agenda**. However, regarding the latter aspect there are differences: India has set up a well-articulated inclusive innovation policy agenda where inclusive innovation policies can be traced back to the "Ghandian" approach to technology and innovation. South Africa is in the process of setting up a strategic framework to approach the issue systematically. Another important issue in both countries is how to relate the two policy strands, i.e. how to make lower-income or disadvantaged groups benefit from the investments made in science and technology (such as investments in S&T support infrastructure).
- The question how inclusive innovation initiatives can effectively be scaled up is very much at the center of policy concerns. Scaling up is not only about spreading benefits of innovations aimed at lower-income groups but it is also about **connecting grassroots innovators to the formal innovation system and democratizing in this way innovation**.

- **The role of government is complex when it comes to inclusive innovation as it necessarily involves a range of agencies.** While the institutions in charge of innovation can play an important role, the need for coordinating with others is critical. Moreover, there are other institutions – the private sector, NGOs, donors, groups in the informal economy – that need to be involved. Coordination of the innovation for inclusive development agenda can, therefore, be particularly challenging. In South Africa, the government shall engage all stakeholders in its innovation for inclusive development agenda to also ensure that there is a strategic framework guiding the diverse initiatives. It is recognized that previous and ongoing initiatives can have wider impacts if they are scaled up appropriately. A central issue for scaling up in India is the role of intermediary institutions. The role of intermediary institutions is particularly critical to allow linking up to the formal sector, to build bridges between the grassroots innovators and those in the formal economy.
- One key question regarding government intervention in this field is **what are the factors possibly hampering the scaling up of inclusive innovation following standard market forces?** For example, why do entrepreneurs not simply take up successful inclusive innovations and invest in their scaling up? What are the market failures at work that government policies should address, and possibly what are the government failures that should be addressed? Are they different from the ones that occur with other types of innovation support policies?
- Another question regarding the role of government is at what stage government interventions would be most suitable and of which type it should be, e.g. would it only be suitable once a successful initiative exists to allow scaling up or can government intervention find ways to support inclusive innovation processes, that is, encourage the generation of inclusive innovations?
- The role of providing financing for inclusive innovation is also important. One issue here relates to potential ways for governments to provide such capital and India's Inclusive Innovation Fund is a pertinent example. Another question, if an international perspective is taken, relates to ODA funding and the role inclusive innovation projects should play. In addition to financing, **increasing innovation capacities is critical for policy makers to be well positioned to address such challenges.** This can create the ability for self-sustained improvements.
- Particular challenges also arise when it comes to evaluation: **the challenge is to understand what types of evaluation methods are able to capture impacts of policies on inclusive and grassroots innovation.** This is also challenging since measuring those types of innovations can be more difficult than technological innovations. Measurement and impact analysis are critical to assess effective impacts and help orient policy in what is often very much an emerging field.

- The nature of **consultations and involvement of disadvantaged community is also critical to address effectively the challenges faced**. Initiatives such as Colombia’s Social Innovation Centre have experimented with an “open innovation” approach to identify the challenges disadvantaged communities face. The potential role governmental institutions can play and the governance needed are critical questions when it comes to those types of participatory projects.
- Scaling up also relates to inclusive businesses i.e. to **creating commercially successful projects, as profit-making motives** will be central for promoting sustainable businesses that provide support for lower-income groups. Risks, however, tend to be substantial at early stages at which point potentially support might be critical.

### ***Session 3: Innovation and Inequalities***

Session 3 focused on the broader question of innovation and its relationship to inequality. This also involved specific discussions of industrial and territorial inclusiveness. The session provided insights from Korea, China, Indonesia and Turkey. The following issues were prominent in discussions:

- One critical question for the innovation-inequality debate is **whether “unbalanced growth strategies” (i.e. strategies that are focused on a restricted number of industries, actors and regions) are needed and should be the focus of initial development stages**. The reason being that without focus (which might then lead to industrial, territorial and social exclusion) growth might not be forthcoming so that there might be no wealth to share. By contrast, growth could allow for wider income generation providing opportunities for subsequent redistribution. Most countries have been selective when it comes to setting up their innovation-for-growth policies. The reverse seems difficult given obvious resource constraints. The questions here, however, are to what extent inequalities challenge growth, whether “selective” development strategies necessarily generate inequalities and, if inequality is inevitable initially, at what stages it should become a central policy target.
- **Regarding industrial inclusiveness, strategies aimed at establishing large leading businesses can create challenges at later stages of development as the case of *chaebols* in Korea illustrates**. Similarly regional unbalances once created can be difficult to address to effectively achieve territorial inclusiveness. Dual economic structures characterize effectively many emerging and developing countries including Turkey, China and Indonesia.
- As is the case for inclusive innovation initiatives, a focus on inclusive growth raises larger institutional complexities for the design of innovation policy than if innovation policy were to simply follow the objective of fostering growth. This is because a myriad of policies can address inequalities and,

thus, could address inclusiveness even if innovation policy was exclusive. It is also because reaching lower-income innovators can be more challenging (e.g. as these are located in remote regions or are engaged in the informal economy).

- **A critical challenge that arises when it comes to promoting inclusive growth is undesirable impacts on markets.** Market mechanisms providing conditions for capacity development and creation are critical and should not be compromised as this might have detrimental impacts on growth.
- Sectoral priorities set by many governments as part of their industrial policies also typically have implications for social, territorial and industrial inclusiveness.
- There is also an international dimension to inclusive growth in that global production processes can lead to the creation of innovative products and processes with welfare impacts on lower-income groups in all countries thanks to international trade. One noticeable example is the reduction in prices that took place with China's role as global manufacturer providing wider access to products.

#### ***Session 4: Next Steps***

Presentations focused on a variety of different issues related to inclusiveness – including regional, industrial and social inclusiveness as well as regarding the latter different groups that were excluded. The relation to science, technology and innovation (STI) also differed.

This is why **the group thought it would be critical to set up a conceptual framework to clearly articulate the various concepts and their relationships.** The purpose of such a framework with a set of clear definitions would be to facilitate exchanging country-specific experiences. Regarding the scope of the framework, there was agreement that the focus should not be too big and remain with industrial, social and regional inclusiveness.

**There was also agreement among the group that country experiences should be at the core of the project to** address the variety of policy questions raised both during the meeting described above and as part of the scoping questionnaire. Other topics that were mentioned as critical for the projects included:

- **Policy questions regarding the scaling up of inclusive innovation initiatives:** Here it was emphasized that the questions raised were relevant to a wider group of countries including developed countries. These should, therefore, not be excluded from the agenda.
- **Impacts of “selective” development policies that lead to industrial exclusiveness:** This includes in particular the question whether or at

what stage of development industrial inclusiveness is critical for growth and well-being.

- **The role of innovation policy within the wider set of policies with regards to inclusive growth:** Such mapping would in particular facilitate understanding the role innovation policy should play.
- **How to make national innovation systems and policies more inclusive without limiting their overall performance:** The question here referred to questions on how innovation systems could be more “democratic”, by providing access to markets, knowledge, information and resources for innovation to a broader population.
- **The growth agenda and the importance of inclusiveness:** The question was particularly about whether the types of policies and the emphasis on growth vs. inequality would become more pertinent for economies as they reach a certain stage of development or whether such considerations should be taken into consideration from the beginning.

The overarching theme for the work to be conducted by the product would be to focus on policy questions including not only general policy guidelines but also a focus on challenges regarding governance and institutional co-operation as these are critical for the inclusive growth agenda.

Finally, the Advisory Group agreed that a Global Partnership on Inclusive Innovation would be valuable also to address the global dimensions of the inclusive growth agenda.