

## OECD Project on Innovation for Inclusive Development

The OECD project on *Innovation for Inclusive Development* investigates two key issues: how different income groups can benefit more from innovation, and how these groups can themselves play a greater role in the innovation process. Attention will be given to the role of innovation in both growth and social development. The project will produce a discussion report, based on existing evidence as well as new perspectives on the topic, and convene a debate with policy makers and researchers from around the world in South Africa on 21 November 2012.

### Overview

Tackling high rates of social exclusion and poverty are important challenges for many developing and emerging countries' development strategies. The Indian government's 11th Five-Year Plan (2007-12), for instance, focuses not only on sustainable growth, but also targets the reduction of economic disparities as its key objective. South Africa is another example of a country in which reconciling efficiency and equity is a fundamental priority in every sphere of policy.

Innovation is a driver of economic growth and as such contributes substantially towards attaining socio-economic development objectives. However, in spite of successful innovation experiences substantial inequalities, high rates of poverty and social exclusion exist in many emerging and developing countries; testimony to the fact that building innovation capacities tends to be exclusive. Many developing countries have successfully developed "islands of excellence" based on leading universities or large modern firms while the vast majority of firms and individuals lack even basic innovation capabilities, which feeds into wage inequalities.



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However, at the same time innovative products targeted at, and produced by, low- and middle-income groups can be useful in addressing inequalities.



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The OECD Project on *Innovation for Inclusive Development*, in cooperation with the OECD Programme on *Higher Education and Research for Development* (IHERD), seeks to address the policy challenges associated with innovation and inclusive development. It will produce a discussion report, based on existing evidence as well as new perspectives on the topic, and convene a debate with policy makers and researchers from around the world in South Africa on 21 November 2012.

### Outlook

This project will provide valuable inputs for the 2013-2014 OECD Project on *Knowledge and Innovation for Inclusive Development*.

### Background

The project will explore innovation along the following dimensions:

- **Impact of innovation on low- and middle-income groups:** Not all firms engage in innovation to the same extent. These differences among firms' innovation activities and their use of new technologies can often translate into substantial productivity gaps and wage inequalities across a society.

- **Innovation for low- and middle-income groups:** “Inclusive innovation” typically consists of obtaining cheaper (often simplified) versions of existing devices for purchase by lower-income groups (“frugal innovation”). These can help reduce gaps in living standards between the richest and poorest groups in society.
- **Innovation by low- and middle-income groups:** Some innovations such as mobile technologies facilitate grassroots entrepreneurship and could help integrate previously marginalised groups into circuits of economic activities.

### Discussion Report

The **discussion report** will focus on the following policy issues on inclusive development.

#### I. Innovation and its role in inclusive development

It will discuss different approaches towards inclusive innovation and inclusive development and critically discuss the relevance of the topic within the development agenda. It will also explore how innovation impacts lower- and middle-income groups with a focus on countries’ production structures and the impacts of different innovation-related growth strategies. For example, the development of innovative “islands of excellence” based on leading universities or large modern firms vs. widespread dissemination of innovations. Moreover, it will also address how innovation can help lower- and middle-income groups improve both their well-being and innovation abilities.

#### II. Role of Internet and mobile technologies

It will help identify the role the Internet and mobile technologies can play towards fostering more inclusive innovation and development. Through cross-country policy evidence including various case studies, the analysis will focus on how businesses differ in their uptake of ICTs and whether ICTs can help lagging performers’ catch-up. It will also discuss to what extent benefits require complementary factors to be in place. It will cover questions of access to the Internet economy, the importance of skills for taking full advantage, new applications as well as new business models and how they can enable entrepreneurs.

#### III. Productivity gaps and the role of policies towards more inclusive innovation

It will describe how substantial productivity dispersions in developing economies relate to differences in technological and innovation uptake. Focusing on the specific example of Indonesian businesses, the discussion will focus on whether trade policy if done jointly with the provision of external credit helps less innovative firms at the lower end of the performance distribution to engage in innovation activities.



#### Conferences

A conference on inclusive innovation will be organised on 21 November 2012 in cooperation with the **MEIDE Conference** from 21-23 November 2012 in Cape Town, South Africa. The event will bring together stakeholders from developing and developed countries to discuss the various perspectives, provide critical feedback, and identify potential directions for future work.

The conference will constitute a first step towards creating a network of interested stakeholders for exchanging experience and jointly engaging in research on the 2013-2014 OECD Project on *Innovation for Inclusive Development*. Discussions and research will be supported by the provision of corresponding policy evidence and interactive tools on the OECD Innovation Policy Platform (IPP).

In a related initiative, the OECD will organise a workshop on “*Inclusive innovation for development: The contribution of the Internet and related ICTs*” at the Internet Governance Forum in Baku, Azerbaijan from 6-9 November 2012 to solicit comments and policy debate on the role of ICTs for inclusive growth.

For more information