Title of the session: Inclusive Innovation: What types of innovation are inclusive and how does inclusiveness work?

Date & Time: Wednesday, 14th October 2015 / 16h30-18h15

Room: Galileo

Organizers: United Nations Development Programme (UNDP)

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Summary outline: Innovation and innovation systems in developing countries have traditionally had little connection or relevance to the low-income majority of the population. In order to address growing inequalities, it is therefore key to explore the potential of inclusive innovation paradigms in delivering innovative technologies to the poorest segments of the population, catering for their consumption needs and/or creating new employment and income sources. Inclusive innovation is deeply rooted in the specificity of the local contexts where low-income people live. Weak/informal institutions and transaction arrangements, the specific circumstances for technology creation, diffusion, access and adoption through and by poor consumers, the importance of grassroots/users’ led processes, as well as the role of the private sector in targeting poor mass markets, constitute key dimensions for effectively addressing the challenges of inclusive innovation. This refers in particular to the issues of equal access to and (social, spatial, sectorial) distribution of innovation in relation to inequality.
1. Concept Note of the Panel:

In the past decade, innovation has been a critical driver of growth and an engine for employment generation; however, high levels of inequality persist or are even rising in some developed and emerging economies. Achieving development that is more inclusive constitutes a priority for many governments. It is therefore crucial to examine the possible contributions of innovation to inclusive development beyond income growth and through processes, technologies and products specifically aimed at lower-income and excluded groups.

Inclusive innovation includes structures and processes aimed at developing and deliver innovative technologies to the poor, or the population at the ‘base of the pyramid’, in order to meet their consumption needs and raise their living standards through income and employment opportunities.

Issues of awareness, accessibility, affordability and availability come therefore into play, which altogether call for a specific capacity to address and deal with the specific circumstances through which low-income consumers obtain and use innovation.

Innovation policies and systems of innovation frameworks in developing countries have been and still are predominantly associated with large formal and supply-driven organizations in the public or private sectors, often addressing export markets and producing (mainly) goods or services for higher income local consumers. Inclusive innovation, on the other hand, is generally referred to contexts (or systems) characterized by weaker institutions and infrastructure and a high degree of informality, as well as less human and financial resources for innovation. Inclusive innovation places a stronger emphasis on unconventional, often informal actors and institutions, as basis for demand-driven (‘user-induced’ or ‘community-based’) knowledge creation processes. Direct interaction and flexibility are key factors for ‘adaptive, incremental learning’ processes that are necessary in catering for the needs of heterogeneous local low-income markets hardly connected between each other. Inclusive innovation, moreover, has a stronger focus on processes of technological diffusion and adoption – as part of a framework that integrates distributional and equality concerns from the outset of the process itself, rather than induced trickle-down benefits or ex-post re-allocation of gains.

Since the introduction of the ‘appropriate technology’ concept, there have been alternative models of innovation, which seek to develop and deliver innovative technologies (goods and services) incorporating the needs and interests of the poor, and seek to stimulate growth for those on lowest incomes. Recently, there has been an extension in practice of these alternative models with significant involvement of the private sector and global value chains, the development of poor consumers as an accessible mass market (based on lower margins and bigger volumes), growth of technological capabilities within developing countries, and the involvement of new technologies, especially information and communication technologies (ICTs) such as mobile phones.

Inclusive innovation can apply – and relate to inequality - at different levels, i.e. (i) addressing the unsatisfied needs/wants or problems of lower-income groups, typically producing cheaper versions of existing and more sophisticated products (‘frugal innovation’) as a way or improving living standards and the welfare of those who adopt and use it; (ii) impacting positively on the livelihoods of
low-income groups, through new/enlarged income and employment opportunities; (iii) involving low-income and excluded groups in the process that leads to the development of new knowledge and technology. This includes the exploitation of traditional knowledge or the ‘local’ adaptation of modern technology that most people can afford and use as means to integrate them with mainstream processes, services and tools (e.g. mobile phones that have facilitated access by the rural poor to communication infrastructure, formal banking services, as basis for further innovation and the creation of new entrepreneurship). When innovations are produced by members of the very group they are supposed to cater, one speaks of grassroots or user innovation.

It is key to emphasise that individuals and firms do not have the capacity (or intention) to engage in innovation to the same extent. The distributional effects of innovation – event when it is driven by inclusive purposes – are not necessarily even of flat and may lead to further imbalances that policies and programs should account for in relation to the different socio-economic factors influencing diffusion, access and uptake of newly available products and services. The role of intermediaries can be crucial for inclusive innovation performance, in bridging information gaps that individual and SMEs might face, building and maintaining networks, reducing uncertainty and building legitimacy, connecting informal and formal actors and institutions, with particular respect for poorly serviced and isolated, dishomogeneous contexts.

Inclusive innovations include innovative goods and services, often substitutes for missing public goods (e.g. health services or access to electricity). To respond to the specific needs of excluded groups and adapt to their requirements (including adaptation to deficient infrastructures), technical as well as business model innovations are needed. Inclusive innovations are often for-profit or at least cost-covering initiatives, and as such offer a more sustainable alternative to support development than those based on continual public or philanthropic funding. As a result, there is a growing interest in fostering the development of these initiatives through policy action, considering that a major challenge inclusive innovations face is how to reach scale.

Innovation dynamics and innovation policies affect inclusiveness from different angles: social inclusiveness, which refers to inequalities in income and opportunities of different groups in society; industrial inclusiveness, as referred to the concentration vs distribution of innovation activities within economic structures; and territorial inclusiveness, as a geographic dimension of industrial and social inequalities.

An inclusive innovation strategy is a set of policies that connects excluded populations to a nation’s innovation system. It complements frontier innovation by increasing the purchasing power and enhancing income-generating opportunities for the poor population.

Public support should focus on the creation of a functioning innovation infrastructure. The role of the government can be to facilitate, support, incentivize and leverage the strengths of all stakeholders in order to create sustainable inclusive solutions, with significant outreach with the least possible burden on public resources. Contributions from the private sector, the research and academic
community, NGOs, and global partnerships – as well as the poor population itself are essential to an effective inclusive innovation system.

2. Objective of the session:
Inclusive innovation constitutes an alternative pattern to deliver innovation low-income groups, catering for their consumption needs and/or providing new opportunities for income and employment. The main objective of this panel is to allow participants discuss existing and potential inclusive innovation patterns, related tools and modalities, and the role of the various parties involved in addressing the key issues of creation, access, diffusion, adoption and distribution of innovation, with specific view at the institutionalization of inclusive innovation and its integration with national and regional innovation systems.

3. Key points of discussion:

- Insights on the different types and nature of inclusive innovation: focus on processes, structures, consumption needs, productive capacities
- Inclusive innovation as means to reduce imbalances and access gaps to socio-economic development opportunities for marginal and excluded groups of the population
- Inclusive innovation and its impact of income distribution in developing and emerging countries
- The relation with public policies and funding (stakeholders’ mobilization, enabling infrastructure, research and development…)
- The role of the private sector: a market-driven push to reduce inequality and widen access to income and employment?
- The economic development potential and implications (incentives and advantages – scale, new products/consumers, new skills and competences…) of inclusive innovation practices
- Specific measures and tools to address and involve vulnerable/excluded groups

4. List of invited speakers/moderator/(confirmed and foreseen):

Moderator:
- Ms. Valerie Dumontet, Vice President of Aude Department, France

Speakers:
- Mrs. Olena Maslyukivska, Expert of the Ukrainian School of Political Studies, Ukraine (on behalf of the European Association for Local Democracy/ ALDA)
- Mr. Nicanor Micha Obama, Director General of Local Authorities, Ministry of Foreign Affairs, International Cooperation and Francophonie, Equatorial Guinea
- Ms. Marta Macias, Director-General for Cooperation and Development, Government of Catalonia, Spain
- Sen. Nelida Sifuentes, Senate of Bolivia, Bolivia
- Mr. Carlos Cesar Torres Páez, Director of the Center for Management Studies, Local Development and Tourism, University of Pinar del Rio, Cuba.
**Rapporteur:**
- Mr. Federico Buyolo Garcia, Director General for Cooperation and Solidarity, Regional Government of Valencia, Spain

**Interventions from the floor:**
- Mr. Pablo Villar, Director of the National Development Agency, Uruguay

5. List of Background Documents:
- CV with photograph and a brief presentation of the key note speaker

**Moderator:**

Ms. Valerie Dumontet is the Vice President of Aude Department of France.

**Speakers:**

Ms. Marta Macias is the current general director of Development Cooperation of the Generalitat of Catalonia, Marta Macias i Quesada, has been appointed by the Catalan Government as a new member of ICIP’s Governing Board in replacement of Carles Llorens i Vila. Marta Macias holds a law degree from the University of Barcelona and a master’s degree in Business Law from Pompeu Fabra University. In the field of cooperation, she has specialized in gender equality and education for development.

Mrs. Olena Maslyukivska is a Manager of Awareness and Capacity Development at a USAID Public Private Partnership Development Program. Before she was a lecturer at the Department of Environmental Studies of the National University of "Kiev-Mohyla academy". Her field of expertise includes: Public-Private Partnerships, Economics of Natural Resources, Environmental
and Ecological Economics, Environmental Policy, Sustainable Development Strategies, innovative teaching methods and techniques.

She holds a master’s degree in environmental management from the Yale School of Forestry and Environmental Studies, M.A in environmental science and policy from the National University of "Kiev-Mohyla academy" and B.A. in International Economic Relations from the Institute of International Relations of the National Taras Shevchenko University. She is awaiting her PhD (kandydatksy) diploma in Economics.

Sen. Nelida Sifuentes is responsible for innovation policies, science and technology at the legislative level within the Senate of Bolivia.

Nelida Sifuentes is a political and union leader of the original indigenous movement in Bolivia. He served as Vice President of the Senate in the Legislative Assembly of Bolivia, representing the department of Chuquisaca. Nelida Sifuentes was born in Bolivia in 1981.

Sifuentes was ACLO radio reporter in Chuquisaca becoming president of reporters at the departmental level. In 2009 he was elected Senator of Bolivia for the Movimiento al Socialismo (M.A.S - I.P.S.P) Party representing the department of Chuquisaca in the Plurinational Legislative Assembly of Bolivia.

Mr. Carlos Paez Cesar Torres was born in 1988 in Consolacion del Sur (Cuba). He is a consultant at the Institute for Physical Planning of Cuba, and the International Center of Havana. He currently serves as Director of the Center for Management Studies, Development Local and Tourism at the University of Pinar del Rio and he is the Vice President of the National Association of Economists and Accountants of Cuba in the province of Pinar del Rio. Its main focus of work is Public Policy Management, Strategic Planning, Municipal Rural Development, Knowledge Management and Innovation, Regional Economics, Management of Local Development, Agricultural Policy among others. He holds the PhD in economics and degree in social economy, international cooperation and management education.

Mr. Nicanor Micha Obama is the Director of Local Authorities at the Ministry of Foreign Affairs, International Cooperation and Francophonie of Equatorial Guinea.

Interventions from the floor:

Mr. Pablo Villar, Director of the National Development Agency of Uruguay.
Mr. Federico Buyolo Garcia is the director of the General Cooperation and Solidarity of the Regional Government of Valencia. He was appointed National Deputy from 2011 until 2015 as spokesperson for international cooperation and for the Universities. Previously he was Secretary for the Alicante Province and member of the Congress of the Municipality of Elche.