INNOVATION AND TERRITORIAL DEVELOPMENT: ANYTHING NEW UNDER THE SUN?

REFLECTIONS “ON AND FOR” LATIN AMERICA

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Brasilia, DF 21 de Março de 2013
Semana do Desenvolvimento Regional
Mesa de debate “Educação, Ciência, Inovação e Desenvolvimento Regional: Experiencias Latino-Americanas
A changing global economic landscape

=> Marco-economic power shift & changes in societal demands and aspirations

=> Micro-economic changes (organisation of production, new forms of FDI, increased relevance of “innovation”, new forms of collaboration&networks)

=> Changes in development and policy models

Changing role and approaches to the “territory”
The world is changing
Marco-economic power shift & changes
in societal demands and aspirations

Source: OECD Development Centre
World top 20 manufacturers, 2010
Country share in total world manufacturing value added

Note: Manufacturing refers to industries belonging to International Standard Industrial Classification (ISIC) divisions 15-37. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the ISIC, revision 3.

Research and development investment and private sector commitment in selected countries, 2009

R&D investment financed by the private sector
Micro-economic changes
Changes in the organisation of production and new forms of FDI

TOP 20 WORLD CITIES THAT OUTSOURCE “INNOVATIVE” ACTIVITIES 2010-12 Number of Jobs

Note: Research and development refers to projects that involve the discovery, design, or development of a product (i.e. technical design centre). Design, development & testing refers to projects that involve design, development or testing of a product (i.e. A software company opening a development centre would be classified in this category).
To be included in research and development the project must include pure (technical) research.
Top 20 world cities for reception of innovative FDI, 2005-2007

Top 20 world cities for reception of innovative FDI, 2010-12
Micro-economic changes
New forms of collaboration and networks (global and local linkages)

2005-2007

Vertical axis: share of regional patent applications with at least one co-inventor located in a different region.
Horizontal axis: degree of regional co-inventorship network, i.e. the number of regions to which a certain region is connected through co-patenting (a rising degree value indicates a higher regional openness)

A variety of collaboration models coexist across sectors and regions

Ex. Territories are increasingly relevant for production development policies and innovation

**WHAT HAVE WE LEARNED FROM OUR WORK WITH PARTNER COUNTRIES?**

**Institutions and governance matter**

**VARIETY IN REGIONAL INSTITUTIONAL FRAMEWORKS, SELECTED DEVELOPING ECONOMIES**

<table>
<thead>
<tr>
<th>Degree of planning and financing responsibilities in industrial and innovation policy of sub-national governments</th>
<th>National multilevel governance setting</th>
<th>Unitary countries</th>
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</thead>
<tbody>
<tr>
<td>Federal countries</td>
<td>Elected regional authorities</td>
<td>Non-elected regional authorities</td>
</tr>
<tr>
<td>Significant</td>
<td>Brazil, India (Examples in OECD countries: Germany, Canada, Switzerland, United States)</td>
<td>Examples in OECD countries: Italy, Spain</td>
</tr>
<tr>
<td>Medium</td>
<td>Argentina, Malaysia, The Russian Federation (Examples in OECD countries: Mexico)</td>
<td>Colombia (Examples in OECD countries: France, Netherlands, Poland, Korea)</td>
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<tr>
<td>Limited</td>
<td>South Africa, Peru (Examples in OECD countries: Denmark, Turkey, Chile, Japan)</td>
<td>Indonesia, Morocco (Examples in OECD countries: Ireland, Finland)</td>
</tr>
</tbody>
</table>

*Note: China, India and Indonesia have multiple relevant institutions at different government levels below the national one with responsibilities in industry and scientific and technological development with non-elected authorities. Significant responsibility in industry and innovation does not imply a better performance, or a judgment of value; it refers to a different organisation and it implies different policy options. The degree of devolution of competences in innovation-related matters is subject to change. Information reported in this table refers to the first semester of 2010 for OECD countries, and to the second semester of 2011 for non-OECD economies.*

*Source: Draws on and updates OECD (2011d) and OECD (2012a).*
WHAT HAVE WE LEARNED FROM OUR WORK WITH PARTNER COUNTRIES?

*Policies matter*

Ex. Latin American countries are starting to support the creation of start-ups

**FINANCING**
- Seed capital
- Business angels/networks
- Venture capital

**DEVELOPMENT OF ENTREPRENEURIAL SKILLS**
- Business incubators
- Business accelerators
- Business training
- Technology transfer, University spin-offs, Corporate spin-offs

**REGULATORY FRAMEWORK**
- Legislation regarding: enterprise creation, expansion, re-investment/initial public offering, mergers and acquisitions
- Fiscal incentives and special taxation for new firms

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## Learning in innovation and regional development policies

<table>
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<tr>
<th>Categories</th>
<th>Definition</th>
<th>Learning from successful experiences</th>
<th>Latin American experiences</th>
</tr>
</thead>
</table>
| Choice (top down and bottom up) | capacity of the policy to select objectives, sectors/activities and beneficiaries | Ensuring high level political support to the Regional Development Agenda  
Gradually increasing spaces for bottom-up initiatives  
Identifying the challenges & defining a strategy (transformation, frontier or catching up)  
Going beyond technology centred innovation | “Plano de metas” Brazil |
| Coherence (Horizontal and vertical) | capacity to deal both with the cross-ministerial nature of innovation and with its diversified territorial impact. | Dealing with functional regions  
Fostering cross-regional collaborations  
Fostering cluster development | Major bottlenecks. |
| Consistency (time and financial) | capacity to ensure continuity in policy choices as well as fine-tuning as reality changes | Multi-annual plans  
Targeting resources at regions | Financing innovation from NNRR (Chile, Peru, Colombia-ongoing efforts) |
| Control (policy and social) | capacity of the institutional setting to ensure policy accountability and monitoring (policy control) and to allow stakeholders’ participation in the policy process (social control) | Observatories for regional development (metrics and policies) | Some national efforts, need to improve metrics.  
Costa Rica: interactive mapping of the NIS |

Changing roles and approaches to the “territory”

What do we observe in Latin America and in other emerging regions?

The issue is rising up: in the national development agenda and in the innovation and production development agenda (multiple reasons, not least the rising revenues from NNRR and the willingness to finance production upgrading and diversification on the basis of NNRR rents).

Contents and Discontents

New instruments for financing innovation/new “integrated” programmes and higher role of regional authorities (ex. Accumulated learning in techno parks, entrepreneurship&start-ups, more attention towards “regional development planning

Importance of the institutional setting

Increased demand for policy accountability (new demands for new indicators)

Challenges in policy coordination

New forms of globalisation and organisation of production and innovation challenges traditional policy modes.

Higher capacities and more strategic visions are needed in a context characterised by harsh competition
The OECD Development Centre work on innovation and territorial development

Perspectives on Global Development 2013

Shifting up a gear: Industrial policies in a changing economic landscape

Forthcoming!