INNOVATION FOR INCLUSIVE GROWTH: THE REGIONAL DIMENSION

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Karen Maguire
Regional Development Policy Division (OECD)
Karen.maguire@oecd.org
Inter- and intra-regional disparities can detract from inclusive growth

OECD Project Framework

- Differences in infrastructure and public services impact inclusiveness for people and firms
- Rural-urban dimension
- Disparities within metro areas
Inter-regional variations in intra-regional income inequality

Regional range of values for Gini co-efficient of disposable income, 2010

High and low R&D intensive countries both have high inter-regional disparities
Urban-rural dynamics and impacts on income inclusiveness: OECD regions

- Urban areas have higher income inequality, also generally have higher R&D investment
  - Slight U-shaped relationship: R&D investment and income inequality

- GDP per capita of rural areas lower than urban areas
  - Gap varies by country, generally convergence trend in OECD countries

- Rural migrants to cities over time have higher income
  - Even if this may contribute to inequality within a city

- Cities have benefits for population and GDP per capita growth in surrounding rural areas ("spread effects")

- R&D investment has growth spillovers for neighbours, more so before crisis and more so for rural neighbours

Non-OECD country regions?
Inter-regional innovation spillovers: dynamics in Asia

Patenting activity by region

India
Neighbouring region R&D investments INCREASE patenting intensity of state (“knowledge spillovers, spread effects”)  

China
Neighbouring region R&D investments decreases patenting intensity of state (“backwash effects”)  

Findings from Crescenzi et al. 2012
Inclusiveness goes beyond income to include well-being more broadly.

Example of Berlin, Germany

http://www.oecdregionalwellbeing.org/
Different aspects of well-being reinforce each other at small spatial scales

Guadalajara Metropolitan Area, Mexico

Average years of schooling

Households without internet access
Adapting *traditional* innovation policy instruments for inclusiveness

### Challenge driven research
(targeting problems for inclusiveness)
- Social issues for disadvantaged groups
- Public service access
- Sectors in lesser developed areas

### Promoting inter-regional spillovers
(spreading benefits, building capacity)
- Requirements to engage collaboration partners from lagging areas
- Extension services (not only agriculture)
- Networks of clusters/brokers/parks

### Targeting funds to specific places
- Rural areas in general
- Lagging regions in country context (ex. East German Lander, Western China, lagging US states)
- Special zones (with caveats)

### Modifying programme requirements
- Reducing matching funds requirements for less advantaged regions
- Relaxed selection criteria (with caveats)
- Openness to different forms of innovation
Building capacity for innovation strategies and policy making at sub-national level

• **Use of regional strategies**
  – National/EU governments have provided capacity support, conditionality for funding

• **Trends to decentralise increasing responsibility in more regionalised contexts**
  – Concerns about absorption capacity when few actors to absorb dedicated funding

• **Regional-level councils and bodies**
  – Networks among them to share good practices across regions

• **Allowing experiments at regional/local scale**
  – Opportunities to scale up at national level
Enabling innovations in policy and programme development process

• Inclusive forms of community engagement to address place-based problems
  – Example in urban development (reblocking in South Africa settlement)
  – Example of water governance in Brazil

• Inclusive forms of programme development to address user needs

• Innovation in public services using new tools
  – new data sources, devices, social sciences/behavioural economics, experimental design