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**Inter-American Council for Integral Development (CIDI)**

**Theme: Innovation and Technology for Economic Diversification and Resilience**

**Concept Note**

**November 17, 2020**

**INTRODUCTION**

The meeting of the Inter-American Council for Integral Development (CIDI) will explore what role the OAS can play to support OAS member states’ efforts to diversify their economies and address their vulnerabilities, which have deepened as a result of the Covid-19 pandemic. In particular, presentations will showcase the importance of connecting communities and entrepreneurs with innovation-driven, sustainable economic opportunities. Building and connecting capabilities on innovation and technology, supporting knowledge sharing, good practices and mentoring, connecting education with the economy, are among the objectives of the capacity building programs under the Inter-American Committee on Science and Technology (COMCYT).

1. **Background**

Strengthening the innovation and entrepreneurial ecosystem is a fundamental component to promote competitive and inclusive economies, one of the strategic lines approved by OAS Member States as a priority for integral development in the 2016-2020 OAS Strategic Plan.

There is ample recognition that innovation is a key driver for value creation, economic growth and quality jobs which requires converting ideas into successful business with resources and timely investment. Nevertheless, indicators show that Latin America and the Caribbean (LAC) is lagging behind developed countries and other emerging countries in these areas.[[1]](#footnote-1)/

The situation will become even more challenging in 2020 because of the Covid-19 pandemic. A recent report by the U.N. Economic Commission for Latin America and the Caribbean (ECLAC) projects that the economic and social crisis generated by Covid-19 in LAC will result in a contraction of at least 9.1 percent in the region’s gross domestic product (GDP).[[2]](#footnote-2)/

The pandemic has exacerbated existing inequalities and widened technology and social gaps because of limited access of segments of society to the skills and tools necessary for the digital economy.

Research and development (R&D) as a percentage of GDP is about 0.5 percent in Latin America and the Caribbean, well below developed countries’ standards and those of emerging countries which have moved from traditional manufacturing to innovation-driven economies. The public sector provides over 80 percent of the investment in R&D, which is primarily directed to public universities to conduct mostly basic research (which is important but not sufficient to improve competitiveness). The participation of private sector (both large companies and SMEs) is very low[[3]](#footnote-3)/.

Connecting science, technology, and R&D with markets remains a pending task for national innovation systems in Latin America and the Caribbean. With a few exceptions LAC countries average score on innovation is 10 points (or more) below their general competitiveness ranking. The problems present in the national innovation systems in the region are reflected in the low innovative capacity of all productive units and especially small and medium-sized enterprises (SMEs). Therefore, LAC has a pressing need to promote collaboration and partnerships among stakeholders from universities, industry, and governments to boost their capabilities. In particular considering the expected impact of transformative technologies such as artificial intelligence, big data, new materials and bioengineering.

The 2019 World Economic Forum (WEF) Global Competitiveness Index provides an average ranking of 90 out of 141 for LAC countries. Most have remained stagnant for the last few years without real top performers. The best positioned countries are Chile-33, Mexico-48, Uruguay-54, Colombia-57, Peru-65, Panama-66 and Costa Rica-62. Only four countries of the Caribbean are considered in this Index. Some of the key recommendations for the region support the diversification of the economies from commodities, to develop a more skilled workforce for the economy of the 21st century and the 4th industrial revolution. An important mission is to address issues related to income distribution and income inequality.[[4]](#footnote-4)/

The Global Innovation Index (GII) published by the World Intellectual Property Organization, INSEAD and Cornell, highlights that LAC economies all rank below the top 50 in the GII ranking. According to the GII weaknesses on the innovation potential of the LAC region lie in the assets and capabilities of inputs (or lack thereof) specifically related to the business climate, human capital and talent, as well as infrastructure that determines productivity.[[5]](#footnote-5)/

A recent report of the International Monetary Fund concluded that the success of high-growth economies depends on policies emphasizing innovation and technology at every stage of the development process. This requires the diversification of the tradable sectors, capabilities and assets of a region.[[6]](#footnote-6)/ To be able to sustain growth, therefore, a country needs to constantly introduce new goods and adopt and develop new technologies. To sustainably increase productivity and aspire to improve per capita income, countries require innovation (new ideas, methods, processes and technology) and to move up in quality and sophistication.[[7]](#footnote-7)/

Several studies from multilateral organizations therefore coincide on policy recommendations for LAC. The focus has to be on generating value-added goods and services to diversify economies from commodity-driven growth. The mission is even more critical in response to the pandemic and need for long-term resilience for economies and societies adopting solutions and new opportunities through transformative technologies and updated skills.

Besides the aforementioned challenges and new dimensions shaping economic performance, obstacles for development go beyond the actual policy framework and are related to all the factors, rules, values and orientations that define the interactions among interest groups and each community. The focus should not only be on the technologies per se but on the steps necessary to improve the technological capability of a community or region which depends on its absorptive capacity to tinker with new ideas, integrate, and leverage technological progress. “Organizations that support experimentation, searching for new ideas and discovery of different applications of new ideas are as important as the technologies themselves.”[[8]](#footnote-8)/

Each country, region or community creates its own narrative and appreciation for issues such as innovation, entrepreneurship, technology and economic development. Thus all the elements of an ecosystem need to be developed for a region to make important progress. Physical and social structures can shape or hinder innovation and change. In societies where social stratification is rigid, as it happens in most developing countries, networking across social groups and expanding the base of support with new actors and mechanisms to influence changes in perspectives require stimulating learning processes among stakeholders building in those leaders and influencers more open to explore and expand new opportunities. Enhancing the capacity of a community to develop trust and quality interactions is fundamental.[[9]](#footnote-9)/

It is then an ongoing task for economies of Latin America and the Caribbean to incorporate, at the community level, the institutional capacities and capabilities to foster innovation, technology and entrepreneurship, as a means to generate value-added goods and services and diversify economies from commodity-driven growth.

Among the risks post-COVID-19 are the economic and social impact on OAS Member States, budget cuts and limited capacity of leaders to focus on innovation and entrepreneurship beyond the health and economic emergency.

1. **Relevance to OAS mandates**

Promoting inclusive and competitive economies” is one of the strategic lines for Integral Development in the OAS Comprehensive Strategic Plan. (AG/RES.1 (LI-E/16). It establishes the following Objectives:

* 1. Enhance the capacity of member States institutions that support the design and implementation of policies and programs that encourage productivity, entrepreneurship, innovation and internationalization of micro, small, and medium-sized enterprises (MSMEs), as well as cooperatives and other production units.
  2. Increase regional cooperation, the Exchange of knowledge, the transfer of technology on mutually agreed terms and conditions and inter-sectoral collaboration among and within member States in the areas of competitiveness, productivity and innovation.
  3. Increase cooperation for strengthening member States institutional capacities on incorporating innovation and transformative technology to create added value and diversification in their economies in a sustainable and inclusive fashion.”

The [Declaration of Medellin](http://scm.oas.org/IDMS/Redirectpage.aspx?class=XVIII.5%20CIDI/REMCYT-V/dec%20&classNum=1&lang=e), adopted in Colombia in November 2017 under the theme "Science, Technology and Innovation as Pillars of Transformation in the Americas,” as well as the [COMCYT Work Plan 2018-2020](http://scm.oas.org/IDMS/Redirectpage.aspx?class=XIII.3/CIDI/COMCYT/RPA.doc%20&classNum=4&lang=e), extended through 2021 by the COMCYT Authorities on July 15, 2020,provide a detailed roadmap (including activities, dates, venues, sources of funding, and indicators to measure progress and results), in order to comply with the mandates and commitments established by the [Plan of Action of Guatemala 2016-2020](http://scm.oas.org/IDMS/Redirectpage.aspx?class=XVIII.4%20CIDI/REMCYT-IV/doc%20&classNum=5&lang=e), adopted during the Fourth Meeting of Ministers and High Authorities of Science and Technology (REMCYT), held in Guatemala City, Guatemala in March 2015.

The Declaration of Medellin instructed Working Group 4 “to continue working on training programs for technology transfer professionals in the region and to strengthen the HUB Academy on Technology Transfer and Commercialization of the Americas, with “mobile” editions in the countries of the region, based on the capacities and interests of OAS member states to sponsor the program; and to hold online training sessions and workshops tailored to the needs and technologies of each subregion.”

**HUB on Technology Transfer and Commercialization for the Americas and “COMUNITT” Mentoring Platform**

The HUB is a two-week mentoring and acceleration program on technology transfer, intellectual property, patents, licenses, prototypes, marketing, financing and other practical aspects necessary to bring technologies and solutions from idea to market. Through a competitive process, 40 participants are selected and provided with access to high-level experts and mentors to accelerate their technology from an early stage to commercialization. The program is convened under Working Group for on Technological Development of COMCYT with the support of CONACYT of Mexico through the Northwest Center for Biological Research (CIBNOR).

Previous editions of the HUB have been held in Mexico (2014 to 2017); Chile (2018); Panama (2019), Colombia (2019) and Dominica (2020). The next edition of the HUB is planned in Lima, Peru in the first half of 2021, pending confirmation and the possibility of carrying out the activity in person/virtually considering the evolution of the COVID-19 pandemic.

Dominica hosted the first Entrepreneurship and Innovation HUB in the Caribbean in October 2020. In a hybrid virtual/in person modality, the HUB supported 31 entrepreneurs with relevant business skills and tools to build more resilient and innovative business models. During the program the youth Entrepreneurs were engaged by a diverse group of local and international business mentors to accelerate 7 innovative business projects, connect with cutting edge, relevant and inspiring entrepreneurial experiences and facilitate networking. The HUB was a collaboration with the Office of the Prime Minister and the Government of the Commonwealth of Dominica, the Organization of American States, and the Dominica Association of Industry and Commerce. The program was aimed at building the capacity of local business to drive economic activity and included content and resources that addressed important components of entrepreneurial education and innovation for business development and continued growth towards digital transformation and resilience.

The HUB has a network of more than 300 graduates from 19 countries of the Americas, who regularly maintain contact, and who have expressed interest in continuing to learn, collaborate and obtain mentoring opportunities and additional technology acceleration tips. As reported at the IX COMCYT Meeting, the Technical Secretariat is currently working at developing a virtual mentoring platform to complement the HUB program, called “COMUNITT,” in collaboration with the University of California at Riverside and other HUB partners. This platform will offer a forum; reference articles and other tools; training opportunities; and access to mentors for specific consultations in order to accelerate technologies that seek to solve real problems in communities of the Americas. The portal will make training, mentoring and collaboration on the topic available to technology transfer officers, incubator managers and professionals throughout the region.

1. **Purpose of the meeting**

The purpose of the meeting is to review the implementation of CIDI mandates on Science and Technology, in particular those related to innovation and technology to promote diversification of the economy and resilience.

This session will examine some of the following issues/questions:

* What actions can be taken to diversify the economic base of member states?
* How can businesses be assisted to understand their vulnerabilities—which include supply chains—in the face of disruptions and take the necessary actions to resume operations?
* Which innovative approaches can be pursued to bolster workforce development, technology investment, support for local entrepreneurs, and expansion of traditional economic assets?
* What key transformational technologies are required to support the implementation of a resilience building agenda?
* What policies, strategies and job-driven skills can help to build a resilient workforce that can better shift between jobs or industries when affected by internal and external shocks?
* What role can the OAS play in strengthening and improving innovation and entrepreneurship in the Americas?
* What role can the OAS play in building on the region’s unique assets and competitive strengths and assist firms with economic recovery post-disruption?
* How can the HUB be enhanced to engage more Member States and connect innovation and entrepreneurship communities and ecosystems?

For this Meeting the OAS General Secretariat on behalf of the Chair of CIDI has extended invitations to present to:

* Kenneth Green, Managing Partner, Advance Global Partners, Dominica
* Pablo Zamora, Entrepreneur & Co-Founder NotCo., Chile

1. **Outcome of the meeting**

It is expected that the session will contribute to provide OAS member states an opportunity to:

1. Engage in a meaningful discussion on their shared goals and challenges to diversify their economies and reduce vulnerabilities, particularly in the context of the pandemic.
2. Identify concrete steps that they can initiate or continue, at the national level and regional level, to support innovation and technology endeavors through the HUB and other COMCYT and SEDI initiatives; and

Agree on multilateral cooperation and partnership actions for building resilience through innovation, technology and entrepreneurship to avoid or lessen the impact of internal and external shocks in member states.

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1. . The World Bank in Latin America and the Caribbean, An Overview (2019) <https://www.worldbank.org/en/region/lac/overview>. [↑](#footnote-ref-1)
2. ECLAC**,** [**Estudio Económico de América Latina y el Caribe 2020. Principales condicionantes de las políticas fiscal y monetaria en la era pospandemia de COVID-19**](https://www.cepal.org/es/publicaciones/46070-estudio-economico-america-latina-caribe-2020-principales-condicionantes), October 2020. [↑](#footnote-ref-2)
3. . Updated Science and Technology Indicators (2018) <http://www.ricyt.org/en/> [↑](#footnote-ref-3)
4. . <http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf> [↑](#footnote-ref-4)
5. . 2019 Global Innovation Index (GII), <https://www.globalinnovationindex.org/Home>. The top 3 economies in the region are Chile (51st), followed by Costa Rica (55th), and Mexico (56th). Following this group are Uruguay (62nd), Brazil (66th), and Colombia (67th). Despite incremental improvements and encouraging initiatives, the GII observes “no clear signs for significant take-off are visible” and that LAC’s innovation potential remains largely untapped. [↑](#footnote-ref-5)
6. . Cherif & Hasanov, The Return of the Policy that shall not be Named: Principles of Industrial Policy, IMF WP/19/74 (2019), <https://www.imf.org/en/Publications/WP/Issues/2019/03/26/The-Return-of-the-Policy-That-Shall-Not-Be-Named-Principles-of-Industrial-Policy-46710> [↑](#footnote-ref-6)
7. . Id. [↑](#footnote-ref-7)
8. . Looking at Discontinuous Change through a Systemic Competitiveness Lens, https://www.mesopartner.com/fileadmin/media\_center/Annual\_Reflections/AR2018\_ENG\_Art8\_01.pdf [↑](#footnote-ref-8)
9. . Id. [↑](#footnote-ref-9)