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CONCEPT NOTE

Regular meeting of THE

Inter-American Council for Integral Development (CIDI)

30 NOVEMBER 2021

(Prepared by the Executive Secretariat for Integral Development)

THEME: **FINANCING INNOVATION: EFFECTIVE PUBLIC-PRIVATE-ACADEMIA COLLABORATION TO ENHANCE COMPETITIVENESS AND QUALITY OF LIFE**

1. **Background/Justification**

Notwithstanding the impact of the COVID-19 pandemic, scientific output, Research and Development (R&D), and Venture Capital (VC) deals grew globally in 2020. However, innovation performance was uneven across sectors and countries. Whereas service industries including travel and transportation were severely affected, those connected with digitalization, technology and innovation such as software, biotech, internet, telecommunications and electronics, increased their investments and results.[[1]](#footnote-1)/

Only those emergent economies that complemented actions at the national level with links to dynamic sectors of the economy were able to support their recovery efforts with their capacities available in their innovation systems. Some of the challenges for Latin America and the Caribbean (LAC) include unbalanced innovation systems with needs related to human capital, research as well as limited capacities to translate its innovation inputs into outputs.[[2]](#footnote-2)/

The budgetary constraints in developing countries after the pandemic will require creativity and resourceful approaches to develop, adopt and deploy science and technology driven solutions to address development imperatives and pursue post-COVID recovery efforts.

As indicated in the GII, finance plays a role at every stage of the innovation cycle from the conceptualization of a product, service or technology through to its commercialization and beyond.[[3]](#footnote-3)/ Government-led programs continue to be fundamental, especially for mission-driven or frontier science research and development as well as initiatives to expand financial inclusion to address historic inequities and systematic limitations of access to credit and seed funding for certain parts of the population.

New actors including corporate-driven endeavors, institutional investors, sovereign funds, venture capital firms, social and entrepreneurial challenges, non-profit organizations, crowdfunding and fintech solutions have become key players for the development and growth of the private and entrepreneurial capital industry and innovation ecosystem. Before the pandemic and thanks to the convergence of transformative technologies and connectivity, these new actors and innovative mechanisms became available to fund and engage with innovators, entrepreneurs and community-driven initiatives. In many ways, the response of COVID-19, accelerated the synergies and urgency to drive and fund innovative solutions to deal with the immediate needs of the pandemic and the sudden disruption of the access to goods and services from global value chains.

In 2020, the number of VC deals increased by 5.8 percent, the best performance in the last 10 years. LAC also registered double-digit increases.[[4]](#footnote-4) /There is an incipient and innovative entrepreneurial capital industry in development throughout LAC. Some of the new actors, in collaboration with other partners or innovative government-led programs, have resulted in the successful creation of new financing mechanisms and creative public-private partnerships. A number of unicorns[[5]](#footnote-5)/ haven been recently launched in LAC, reaching 16 by 2021, with companies based in Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay.[[6]](#footnote-6)/ Despite the uncertainty brought on by the COVID-19 pandemic, 2020 marked a record year for tech startups in Latin America and the Caribbean with tech companies raising a record $4.2B in funding across more than 370 deals.[[7]](#footnote-7)/

There is still, however, an important gap to make access to capital funding more inclusive in the Americas. In the United States, for instance, companies led by female entrepreneurs raised only around 2.2% of the total capital invested in venture-backed startups in the United States in 2020.[[8]](#footnote-8)/ The gap widens when minority-led start-ups are involved, with more limited access to venture capital for women entrepreneurs from African American (0.2%) or Latin descend (0.4%).[[9]](#footnote-9)/ While integral development strategies cannot be built only around start-ups, the availability of a diverse, inclusive and accessible funding mechanisms is critical for start-up companies, SMEs and large companies, to develop innovation-driven solutions and businesses that can complement governmental efforts to address inclusive development imperatives and pursue post-COVID recovery efforts.

1. **Purpose of the meeting**

The CIDI meeting will be a space for member states to share experiences, good practices and offers of collaboration on innovative mechanisms to finance innovation and business development to enhance inclusion and diversity of sources and beneficiaries. The meeting will feature examples of approaches to improve financial inclusion for innovation; technology driven solutions to expand the availability of capital and reach across different regions and communities within a country. Moreover, it will be an opportunity to identify the gaps and needs of member states and from the perspective of private sector, entrepreneurs and financial institutions. The focus will be on offers of collaboration and initiatives of cooperation to support OAS member states.

**3. Relevance to the Executive Secretariat for Integral Development (SEDI) and OAS mandates**

The Inter-American Committee on Science and Technology (COMCYT) agreed on the main theme of the VI REMCYT: “Harnessing the Power of Transformative Science and Technologies to Drive our Communities Forward.” One of the subthemes is “Effective public-private-academia collaboration to enhance competitiveness and quality of life” which is the topic under consideration for this CIDI Meeting with a focus on financing innovation.

“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)**. One of its Strategic Objectives (1.3) is to: “Increase cooperation for strengthening member States institutional capacities onincorporating innovation and transformative technology to create added value and diversification in their economies in a sustainable and inclusive fashion.”

The resolution **“Advancing Hemispheric Initiatives on Integral Development: Promoting Resilience”** approved by the General Assembly on its fifty-first regular session, held November 10-12, 2021, urges member states to “exchange good practices, experiences, training opportunities, and technical assistance to promote: research, the use and dissemination of transformative science, innovation, knowledge from local, indigenous, afro descendant, and other ethnic groups; and the voluntary transfer of technology on mutually agreed terms to support post-COVID-19 the implementation of Industry 4.0 technologies and the recovery and digital transformation of member states within the framework of the Inter-American Committee on Science and Technology (COMCYT), with a view to developing concrete and actionable proposals for consideration during the Sixth Meeting of Ministers and High Authorities of Science and Technology (REMCYT).”

1. **Structure of the meeting**

Experts will be invited as guest speakers to present experiences on innovative mechanisms to finance innovation and public-private partnerships to enhance inclusion and diversity of sources and beneficiaries in the entrepreneurial capital industry to support economic and social development.

Member states will be invited to ask questions to the invited experts on their presentations and/or main points covered during their interventions as part an interactive dialogue guided by the Chair.

Following the question and answer period, delegations will be invited to share good practices, specific offers of collaboration or needs related to this topic.

Invited Panelists:

* Dr. Martín Rodriguez, Executive Director of Prociencia, CONCYTEC, Peru
* Dr. Charah T. Watson, Executive Director, Scientific Research Council, Jamaica
* Mr. James Chung, Associate Vice President for Research, Innovation and Entrepreneurship at George Washington University, and a Co-Principal Investigator for the [NSF Innovation Corps](https://www.nsf.gov/news/special_reports/i-corps/nodes.jsp) Node in Washington, DC

1. **Outcome of the meeting**

It is expected that the session will contribute to:

1. Providing information on main trends, challenges and opportunities to diversify and expand access to mechanisms to finance innovation in OAS member states.
2. Identifying priorities and areas of regional cooperation in the Americas to promote inclusion and access to funding opportunities for entrepreneurs and innovators, including for youth, women, indigenous and other populations.
3. Encouraging member states to present good practices with opportunities for cooperation to advance public-private partnerships and innovative mechanisms for financing innovation in OAS member states.

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1. . Global Innovation Index 2021, 14th Edition, <https://www.wipo.int/global_innovation_index/en/2021/> [↑](#footnote-ref-1)
2. . Id. [↑](#footnote-ref-2)
3. . The GII is a report jointly published by the World Intellectual Property Organization (WIPO), Cornell University and INSEAD; 2020 edition available at <https://www.wipo.int/global_innovation_index/en/2020/> [↑](#footnote-ref-3)
4. . Global Innovation Index 2021, 14th Edition [↑](#footnote-ref-4)
5. . Start-up companies valued at over US $1 billion dollars [↑](#footnote-ref-5)
6. . Startup Continent: The Most Well-Funded Tech Startups In Latin America And The Caribbean. <https://www.statista.com/statistics/1095155/number-of-unicorns-in-latin-america-by-industry/> [↑](#footnote-ref-6)
7. 7. https://www.cbinsights.com/research/top-startups-latin-america-map/ [↑](#footnote-ref-7)
8. . <https://pitchbook.com/news/articles/the-vc-female-founders-dashboard>   [↑](#footnote-ref-8)
9. . <https://fortune.com/2018/10/26/latinx-female-founders-women-venture-capital-funding/> [↑](#footnote-ref-9)