

PROJECT IMPLEMENTATION PROPOSAL – INTELLECTUAL PROPERTY (IP) AND INFORMAL ECONOMY (RECOMMENDATION 34)

WIPO's Economic and Statistics Division has been tasked to implement the Development Agenda Recommendation 34 with the theme "Intellectual Property (IP) and Informal Economy".

The objective of this project is to lead to a better understanding of how innovation occurs in the informal economy (IE) and to explain the role of IP in this context. The plan is to offer policy guidance – both in assessing how IP policy instruments influence innovation in the IE and what IP-related policy measures could help expand output and employment. The focus in this project will be on the IE in middle- or low-income countries in Africa.

As approved by the CDIP in May 2012, the project will produce four studies that will provide guidance and case study evidence on how innovation occurs in the informal economy and what role IP rights play in this process. It is planned that one conceptual study be conducted which will be complemented by three country case studies targeted at a specific sector.

The project will be followed by an informal expert group set up for this project.

To guide the development of the studies, a workshop will be organized in November 2012.

1. Elaboration of the conceptual study

The objective of the conceptual study is to set out what characterizes informal economic activity, what type of intangible assets individuals and firms operating in the informal economy generate, and through what mechanisms – including IP rights – those individuals and firms do and do not appropriate innovative efforts.

The study will provide a common conceptual framework for the country case studies. Moreover, the study will be finalized only after the case studies have been completed. This will allow cross-fertilization between the various studies.

Mrs. Kun Fu (Research Associate, Imperial College) and Mr. Wunsch-Vincent (Senior Economist, Economics and Statistics Division, WIPO) are in the process of producing a first draft of the conceptual study which will be ready for the workshop in November 2012. Jeremy de Beer (Associate Professor, Faculty of Law, University of Ottawa and leader of the OpenAir project on innovation and IP in Africa) will be involved as a co-author.

The study will be formally reviewed and complemented by Jacques Charmes, Directeur de recherche émérite, Centre Population et Développement, Université Paris Descartes, Paris,

one of the leading authorities on the measurement of the IE. The guidance of Adriana Mata Greenwood, Department of Statistics, International Labour Organization, will be sought. The authors of the informal expert group will review the study as well.

The study will follow the following outline.

1 Introduction to the Informal Economy (IE)

- 1.1 Defining the IE
- 1.2 Characteristics of the IE
- 1.3 Determinants of the emergence and persistence of the IE
- 1.4 Size and main trends of the IE

The main purpose of this section is to provide a clear definitional and measurement framework to the underlying analysis and the subsequent case studies. The section will draw on the most current literature and statistics in the field to explain the characteristics of the informal economy and to provide statistics on its relative size and growth.

2 Innovation and the creation of intangible assets in the IE

- 2.1 Innovation / Intangible assets generated in the IE
- 2.2 Characteristics of the innovation process in the IE
 - Internal capabilities and external context of Innovation in the Informal Economy
 - Institution (e.g. IPRs) /Infrastructure/ Knowledge and skills/ Capital etc.

3 Mechanisms to protect and appropriate returns from Innovation/IA

- 3.1 Introduction to different appropriation mechanisms (including IP)
 - Formal /Semi-formal / Informal appropriation mechanisms
 - The context of the formal versus the informal economy
- 3.2 Appropriation mechanisms in use in the IE context and their costs / benefits
- 3.3 The potential for IP as appropriation mechanism

4 Policy

- 4.1 Current Policy approaches to the IE
- 4.2 Innovation policy geared towards innovation in the IE
- 4.3 IP as a tool to generate / sustain growth and employment in the IE

2. Elaboration of the country case studies

Three case studies will be conducted in three different African countries, namely Ghana, Kenya and South Africa. They shall document examples of innovation in the informal economy and provide an assessment of how innovation outcomes have been influenced by IP, and the potential lack of access to it. These case studies would be based on original field research, though they would still be anecdotal in nature.

Over the last months, extensive discussions were conducted with relevant experts and potential authors to identify relevant case studies. The WIPO Department for Africa and Special Projects and the Development Agenda Coordination Division have been consulted.

The selection was not without challenges. The IE spans a large set of heterogeneous sectors in middle- and low-income economies. This ranges from agriculture, areas related to traditional knowledge (herbal medicine), creative sectors (handcrafts, etc.) to more traditional manufacturing activities (tool making, etc.). Different levels of development and other country-specific factors will introduce additional heterogeneity with respect to if and how

innovation occurs in the IE and how it is appropriated. In consultation with the CDIP and WIPO colleagues it was decided to give a regional focus to the project and to choose three different subsectors in the three African countries.

With this in mind, the following case studies have been accepted by the CDIP in May 2012:

Case 1	
Ghana - herbal medicine	<p>Traditional herbal medicine is important in the health care delivery system in Ghana as in most African countries. It is currently evolving into an important modern health industry with innovations in product, process and institutional frameworks. Traditional herbal medical practitioners, policy makers, researchers, regulators, entrepreneurs and consumers are some of the critical actors whose roles have stimulated innovations in traditional medicine. The overall goal of the Ghana study is to find out how the innovations in traditional medicine can be enhanced with analysis of roles, the linkages and policy environment of the critical actors. The methodology will include a mapping of the critical actors through desk research and interviews with key informants from institutions such as the Ministry of Health, Centre for Scientific Research Into Plant Medicine, the Food and Drugs Board, the training institutions and the Registrar General's Department which oversees the industrial property regime. It is expected that the study will lead to important knowledge of how the traditional medicine industry in Ghana is developing and making impact not only in the informal economy but also in the overall health system of Ghana.</p>
	<p><i>Consultant:</i></p> <p>George Owusu Essegbey, Director, Science and Technology Policy Research Institute (STEPRI), Council for Scientific and Industrial Research (CSIR), Ghana</p>
Case 2	
Kenya – Metal manufacturing	<p>In Kenya the informal sector produces over 90 percent of new jobs annually and employs an estimated 80 percent of the labor force. The informal metalworking sector in Nairobi produces products and services ranging from vehicle customization, consumed by the local market, to commissioned sculptures. Those working in a particular segment (e.g. artwork or auto parts) tend to cluster in certain geographic locations. This case study seeks an understanding of the flow of innovations through Kenya's informal metalworking sector, attempting to identify: sources and sinks of innovation; factors that promote or inhibit the flow; and the paths of innovation flow. An additional goal is to assess how innovation outcomes have been influenced by IP.</p>
	<p><i>Consultants:</i></p> <p>Prof. Christopher Bull, Brown University: Senior Research Engineer and Senior Lecturer in School of Engineering, US and Dr. Mary Njeri Kinyanjui, University of Nairobi, Institute for Development Studies. Nairobi, KENYA</p>

Case 3	
South Africa – the chemical sector	<p>The case study in South Africa focuses on informal activities related to the production of cosmetics, soaps and other natural products derived from the oil extraction of nuts and plants. This diverse range of activities usually falls under the "Chemical industry".</p> <p>Products such as Castor oil, and soap are done by informal actors often located in rural areas, using manual techniques and traditional knowledge. Looking at the production of cosmetics and oils has interest for various reasons: (a) they offer opportunities for the creation of small enterprises among poor women living in rural areas, (b) they have strong linkages with other informal economic activities and also the formal economy, (c) such diverse markets and users often drive incremental innovation and product diversification with direct implications related to IP. However, the technologies and techniques used in many instances do not ensure quality of the products, often do not comply with health and safety standards, and also limit the capacity of producers to satisfy their growing demand. There are some interesting cases in which "formal knowledge" organisations have collaborated with informal entrepreneurs. In this type of environments the issues around IPs become particularly interesting, and we already have some instances in which it would be possible to trace how some of these cases have been tackled.</p>
	<p><i>Consultant:</i></p> <p>Erika Kraemer-Mbula, Research Associate, Institute for Economic Research on Innovation (IERI), Tshwane University of Technology, South Africa</p>

The three case studies will be formally reviewed by Shamnad Basheer, Ministry of Human Resource Development Chaired Professor in Intellectual Property Law, National University of Juridical Sciences, Kolkata, India, by the other authors, the expert group and WIPO.

3. Constitution of an informal expert group (also to be invited to expert workshop)

The last months have been actively used to identify relevant researchers for an expert group. Beyond the above-mentioned experts the following persons will be involved:

- Adriana Mata Greenwood, Department of Statistics, International Labor Organization
- Dick Kawooya, Uganda, and project lead on IE in OPENAIR project
- Fred Gault, former NESTI head, Professorial Fellow at UNU – MERIT
- Johannes Juetting, Principal Economist, OECD
- Mark Dutz, World Bank's Development Research Group
- Sisule F. Musungu, President, IQsensato

4. Organization of the expert workshop (November 19-21, 2012)

In coordination with the Director of this institute, Erika Kraemer-Mbula has offered to host the workshop at the Institute for Economic Research on Innovation (IERI), Pretoria, South Africa attached to the Faculty of Economics and Finance of the Tshwane University of Technology.

5. Production of edited volume

It is planned to produce an edited volume with the conceptual study and the case studies.

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