

Committee on Development and Intellectual Property (CDIP)

Eighth Session
Geneva, November 14 to 18, 2011

INTELLECTUAL PROPERTY (IP) AND INFORMAL ECONOMY

prepared by the Secretariat

1. The Annex to this document, containing a thematic project proposal on “Intellectual Property and Informal Economy”, addresses WIPO’s Development Agenda Recommendation 34. The estimated cost for the project amounts 90,000 Swiss francs related to non-personnel costs.

2. *The CDIP is invited to consider and approve the Annex to this document.*

[Annex follows]

PROGRESS REPORT ON PROJECT FOR RECOMMENDATION 34

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| 1. SUMMARY | |
| <u>Project Code</u> | DA_34_01 |
| <u>Title</u> | Intellectual Property and the Informal Economy |
| <u>Development Agenda Recommendation</u> | Development Agenda Recommendation 34: “With a view to assisting Member States in creating substantial national programs, to request WIPO to conduct a study on constraints to intellectual property protection in the informal economy, including the tangible costs and benefits of intellectual property protection in particular in relation to generation of employment.” |
| <u>Brief Description of Project</u> | Better understanding how innovation occurs in the informal economy and the nexus between IP and the informal economy is required to offer helpful policy guidance – both in assessing how existing IP policy instruments influence innovation in the informal economy and what IP-related policy measures could help them expand output and employment. The project will produce four studies that will provide conceptual guidance and case study evidence on how innovation occurs in the informal economy and what role IP rights play in this process. ¹ To guide the development of the studies and promote cross-fertilization between them, a mid-term workshop will be organized. |
| <u>Implementing Program(s)</u> | Program 16 |
| <u>Links to other related Program(s)/ DA Project(s)</u> | Programs 1, 2, 3, 4 Project CDIP/5/7 – IP and Socio-Economic Development |
| <u>Links to Expected Results in the Program and Budget</u> | Result 16.2 – Take-up of WIPO economic analysis as an input into the formulation of IP policy |

¹ At the seventh session of the CDIP, and in line with the Discussion Paper CDIP/6/9, Members debated the scope of the Informal Economy project. In particular, the question was whether the project should focus
(a) on the informal economy more broadly, to understand how innovation was taking place in the sector, and to better understand the role of IP in supporting or constraining this innovation, or
(b) on potential counterfeiting and piracy in the informal sector and their relationship to employment.
At the seventh session of the CDIP, Members concluded that the project, and in particular the case studies, should focus on the former element, leaving debates surrounding counterfeiting and piracy to competent other WIPO Committees. Furthermore, it was decided that – next to a conceptual study – case studies and anecdotal evidence would be the preferred step to collect supporting evidence for this project. This proposal CDIP/8/3 reflects these decisions.

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| <u>Project Duration</u> | 18 months |
| <u>Project Budget</u> | Total non-personnel cost: 90,000 Swiss francs |
| 2. PROJECT DESCRIPTION | |
| 2.1. <u>Introduction</u> | |
| <p>While neither an official definition nor precise estimates exist for the informal economy, it represents a significant share of output and employment in many developing countries.</p> <p>Anecdotal evidence suggests that innovation is taking place in the informal economy. Yet little is known about how intangible assets are generated in the informal economy and how they are monetized. The same applies to the extent to which such assets would in principle qualify for IP protection.</p> <p>Where intellectual assets in principle qualify for protection, firms and individuals operating in the informal sector may be unable to protect their intangible assets through the IP system. Legal barriers, insufficient awareness, and the costs of acquiring and enforcing IP rights might prevent them from doing so. At the same time, one also has to consider that there may be other ways for firms and individuals in the informal economy to appropriate their innovative efforts, manage their intellectual asset and lead to successful commercialization—for example, through secrecy or reputational mechanisms.</p> <p>The main reason for the lack of evidence in this area is insufficient data. The informal economy escapes official statistical recording.</p> <p>Better understanding how innovation occurs in the informal economy and the nexus between IP and the informal economy could offer helpful policy guidance – both in assessing how existing IP policy instruments influence innovation in the informal economy and what IP-related policy measures could help them expand output and employment.</p> | |
| 2.2. <u>Objective</u> | |
| <p>The project objective directly emanates from DA Recommendation 34: “to contribute to greater awareness and enhanced understanding of the IP and informal economy linkages among policymakers.”</p> | |
| 2.3. <u>Delivery Strategy</u> | |
| <p>The project will commission studies that will provide conceptual guidance and case study evidence on how innovation occurs in the informal economy and what role IP rights play in this process. It is proposed that the project is implemented in the following two phases:</p> <ol style="list-style-type: none"> 1. In a first step, a conceptual study that sets out what characterizes informal economic activity in countries at different levels of development, 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. This study would draw on the existing academic literature on the informal economy and innovation. If such an expert exists, the author will be a recognized social scientist with a credible track record of research on both the informal economy and innovation. In the elaboration of the study, the researcher will be assisted by the WIPO Economics and Statistics Division.

2. In a second step, three case studies – from different world regions – that 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.² The authors of these studies could be academic scholars, independent consultants, or non-governmental organizations (NGOs).

It is understood that the case studies, will not cover activities in the informal economy which are related to counterfeiting and piracy (see footnote 1).

To guide the development of the three case studies and to promote cross-fertilization between them, a mid-term workshop will be organized. This workshop will bring together the authors of the studies as well as selected other experts from academia, NGOs and other international organizations.

One challenge in implementing the case studies will be the lack of hard data on informal economic activity. Careful selection of the case studies and authors can help mitigate the risks of unsatisfactory outcomes.

3. REVIEW AND EVALUATION

3.1. Project Review Schedule

A final project review report upon project completion will be prepared. The project outputs will be submitted to the CDIP for further consideration.

3.2. Project Self-Evaluation

| <i>Project Outputs</i> | <i>Indicators of Successful Completion (Output Indicators)</i> |
|------------------------|--|
| Conceptual study | Study published on WIPO website |
| Case studies | Case studies published on WIPO website |
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² Members are invited to provide feedback on case studies of potential relevance and interest. In this context, written submissions should be forwarded to the Secretariat by February 1, 2012. The Secretariat shall present specific case studies to the Committee for consideration at its ninth session. The selection of case studies will be informed by feedback provided by Members, as well as by initial work undertaken for the conceptual study and consultations with relevant WIPO sectors.

| <i>Project Objective(s) [please refer to section 2.2 of this template].</i> | <i>Indicator(s) of Success in Achieving Project Objective (Outcome Indicators)</i> |
|---|--|
| Main objective | Number of downloads and citations of published studies |
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4. IMPLEMENTATION TIMELINE

| ACTIVITY | QUARTERS | | | | | | | |
|---|----------|-----|-----|-----|------|-----|-----|-----|
| | 2012 | | | | 2013 | | | |
| | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th |
| Commissioning and implementing conceptual study | X | X | X | X | X | | | |
| Commissioning and implementing case studies | | | X | X | X | X | | |
| Mid-term project workshop | | | | | X | | | |
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| REVIEW SCHEDULE | | | | | | | | |
| Final project review | | | | | | X | | |

BUDGET (non-personnel resources)

TABLE 1 – PROJECT BUDGET BY COST CATEGORY AND YEAR

| <u>Cost Category</u> | <u>Budget</u> (Swiss Francs) | | | |
|-------------------------------|------------------------------|---------------|---------------|---------------|
| | <i>2012</i> | <i>2013</i> | <i>Year N</i> | <i>Total</i> |
| <i>Travel and Fellowships</i> | | | | |
| Staff Missions | | | | |
| Third-party Travel | 28,000 | | | 28,000 |
| Fellowships | | | | |
| <i>Contractual Services</i> | | | | |
| Conferences | 2,000 | | | 2,000 |
| Experts' Honoraria | 30,000 | 30,000 | | 60,000 |
| Publishing | | | | |
| Others | | | | |
| <i>Equipment and Supplies</i> | | | | |
| Equipment | | | | |
| Supplies and Materials | | | | |
| TOTAL | 60,000 | 30,000 | | 90,000 |

[End of Annex and of document]