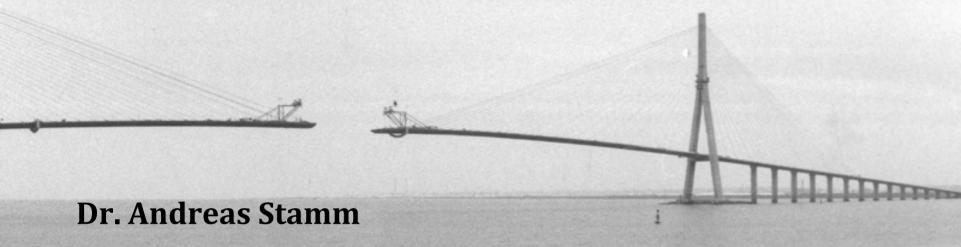


Financing pro-poor innovations

Challenging some assumptions of the BOP approach



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What moves the "merry-go-round of innovation"?



- Innovations are the outcome of complex interactions between public and private actors.
- The Schumpeterian entrepreneur investing in RD&I is a key actor.
- He or she takes risks when expecting high returns on investment (innovation rents).
- ➤ The BOP is a high risk / low profit market segment.
- How can pro-poor RD&I be moved beyond CSR and charity?
 Is there a case for public financing?

Is there a case for public financing?



➤ Public financing is justified first of all, where public goods are at stake. Are improved cooking stoves public goods?



Non rivalry?

Non excludability?

Definitely not! So...
Is there still a case for public financing?

Clear energy and international development goals



- Access to clean energy is **not** listed as one of the Millennium Development Goals and targets, while access to water and sanitation: yes (MDG 7, target c).
- But there are many factors related to unsustainable biomass use, that directly link to the MDGs,
 - such as...





Indoor Air Pollution killing around 1.6 million people anually, among them many women and kids.

MDG 3: Reducing child mortality



MDG 7 and Copenhagen Accord: Mitigating Climate Change

Black carbon contributing to GHG effects





Unsustainable biomass usage contributing to loss of forested area and of biodiversity



MDG 7, target b): Reduce biodiversity loss



Time spent on firewood collection is not available for productive and educational purposes





MDG 2: Achieve universal primary education

MDG 3: Promote gender equality and empower women



- As there is a global public interest in R,D&I in improved biomass usage, it would be reasonable to fuel the innovation systems with global (public) funds.
- ➤ Thus, the challenge might not be, how to lower costs of stoves to make them commecially accesibe for BOP costumers, but rather to *design* global funding schemes that,
 - provide incentives for actors in the *early phases* of the innovation cycle (R&D and not: roll-out);
 - include an adequate contribution of beneficiaries;
 - maintain high level competition among developers and producers;
 - avoid moral hazard.
- Lessons may be learned from a multitude of DC projects related to Business Development Services (BDS)

Official and private actors in Health DC



- > DAC donors in 2007, ODA in the health sector:
 - 10.9 billion US-\$ in bilateral aid
 - 4.7 billion US-\$ in multilateral aid
 - 5% of total health ODA would allow to co-finance
 31 million stoves by 25\$ each, anually
- ➤ Bill and Melinda Gates Foundation: Grants paid in the health sector:
 - 1.8 billion US-\$
 - 5% would allow to co-finance 3.6 million stoves by 25\$ each, anually

Guiding question for the Fishbowl



- ➤ Which way ahead to stimulate R,D&I in biomass stoves for poor households:
 - Trust in the BOP market?
 - Mobilizing on global public funding?
 - Combined approach how could this look like?