

EGM on Innovation and Technology for achieving the 2030 Development Agenda



The challenges *On the path towards an* *innovative environment*

By Nicolas NAHAS

Definition

Innovation is the multi-stage process, whereby organizations **challenge themselves to transform ideas** into improved

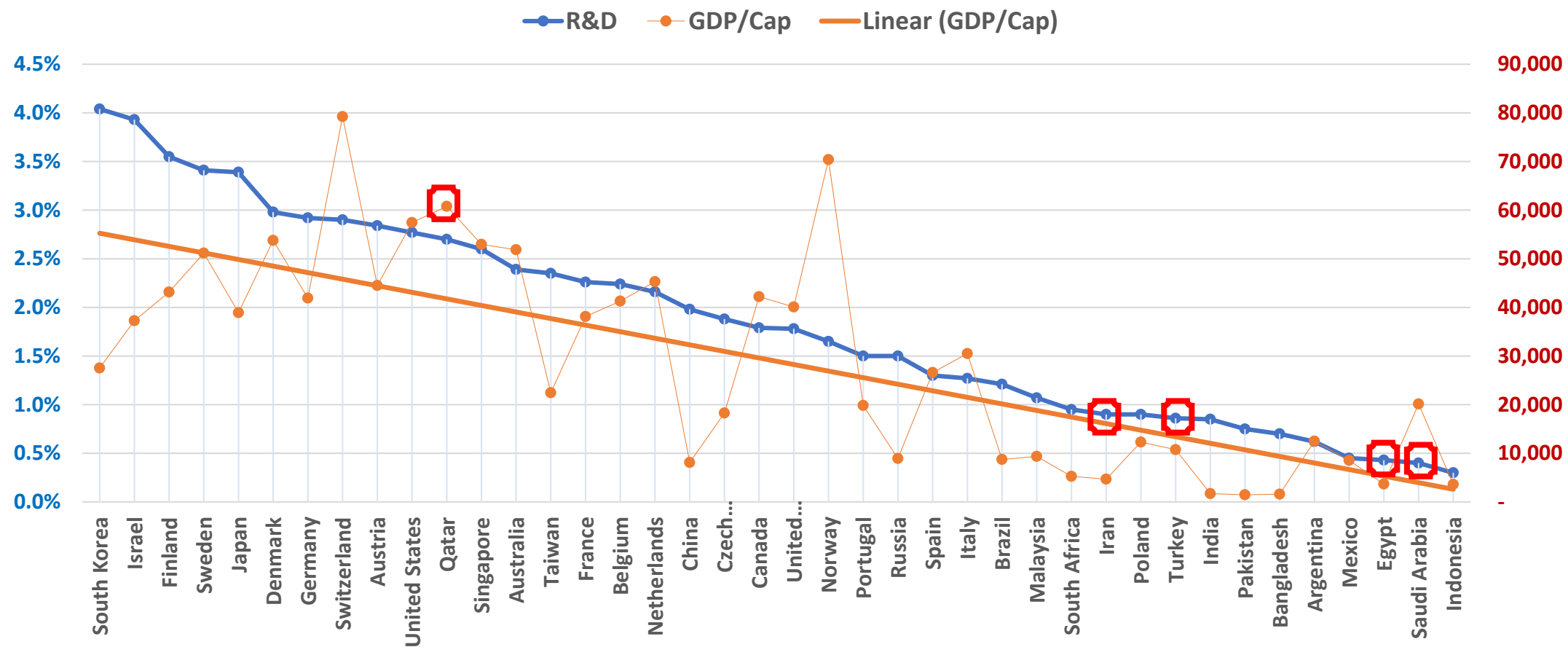
products, service or processes,

in order to

- **advance,**
- **compete**
- **differentiate**

successfully in their marketplace.

R&D v/s GDP per Capita

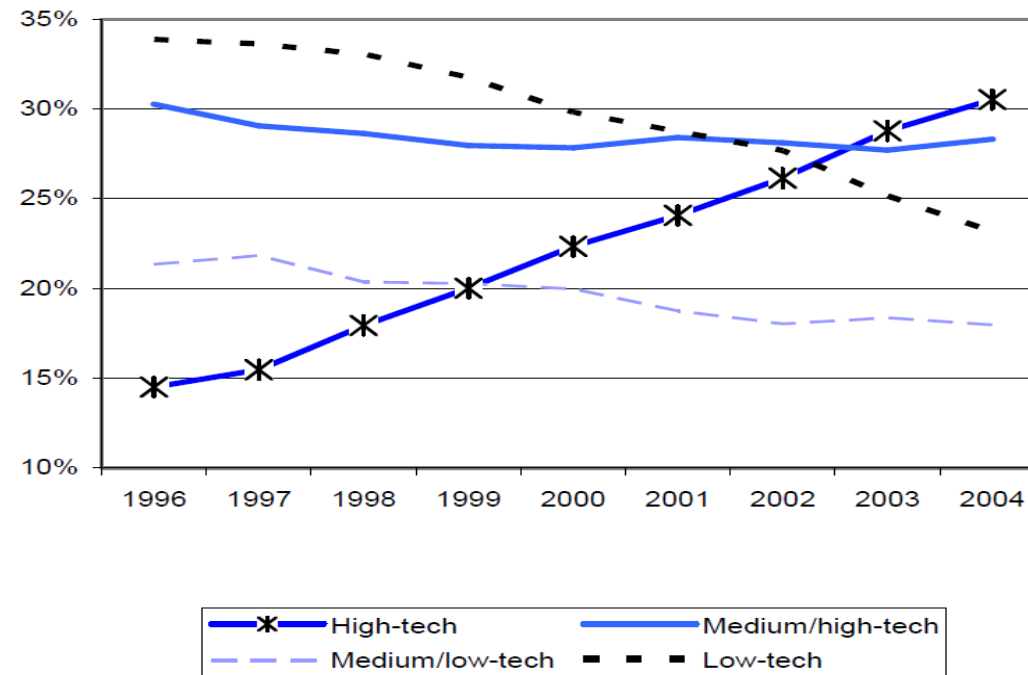


Innovation the Path for Growth

- **Innovative effort is on the rise** as a share of economic activity.
- The importance of innovation has been reinforced both by **globalization** and by rapid **advances** in **new technologies**.
- A society's ability to increase its wealth and welfare, critically hinges on its **potential to innovate, develop, exploit and diffuse knowledge**, thereby influencing growth.
- Since the Industrial Revolution, much of the rise in living standards is due to **innovation**.

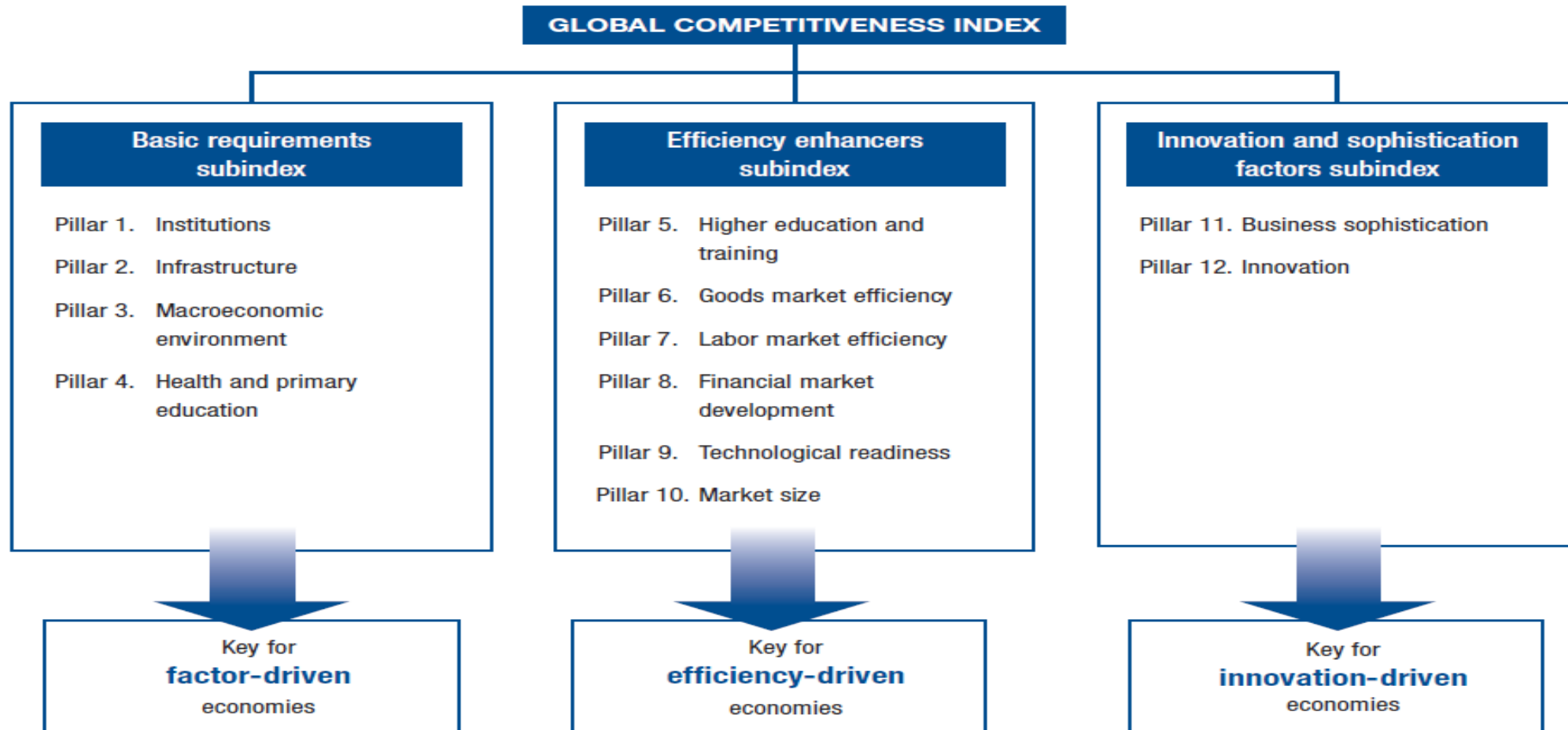
BRIC's Trade Pattern

The changing structure of BRIC's¹ manufacturing trade by technological intensity



1. BRIC: Brazil, Russia, India and China.
Source: OECD, Bilateral Trade Database.

WEF – GCI Index



See Appendix A for the detailed structure of the GCI.

Growth Type Economies

'**factor**'-driven economies, where countries compete primarily on the use of **unskilled** labor and natural resources and companies compete on the basis of price as they buy and sell basic products or commodities.

'**efficiency**'-driven economies, where growth is based on the development of more **efficient** production processes and increased product quality.

'**innovation**'-driven economies, where companies compete by producing and delivering new and different products and services by using the most **sophisticated** processes.

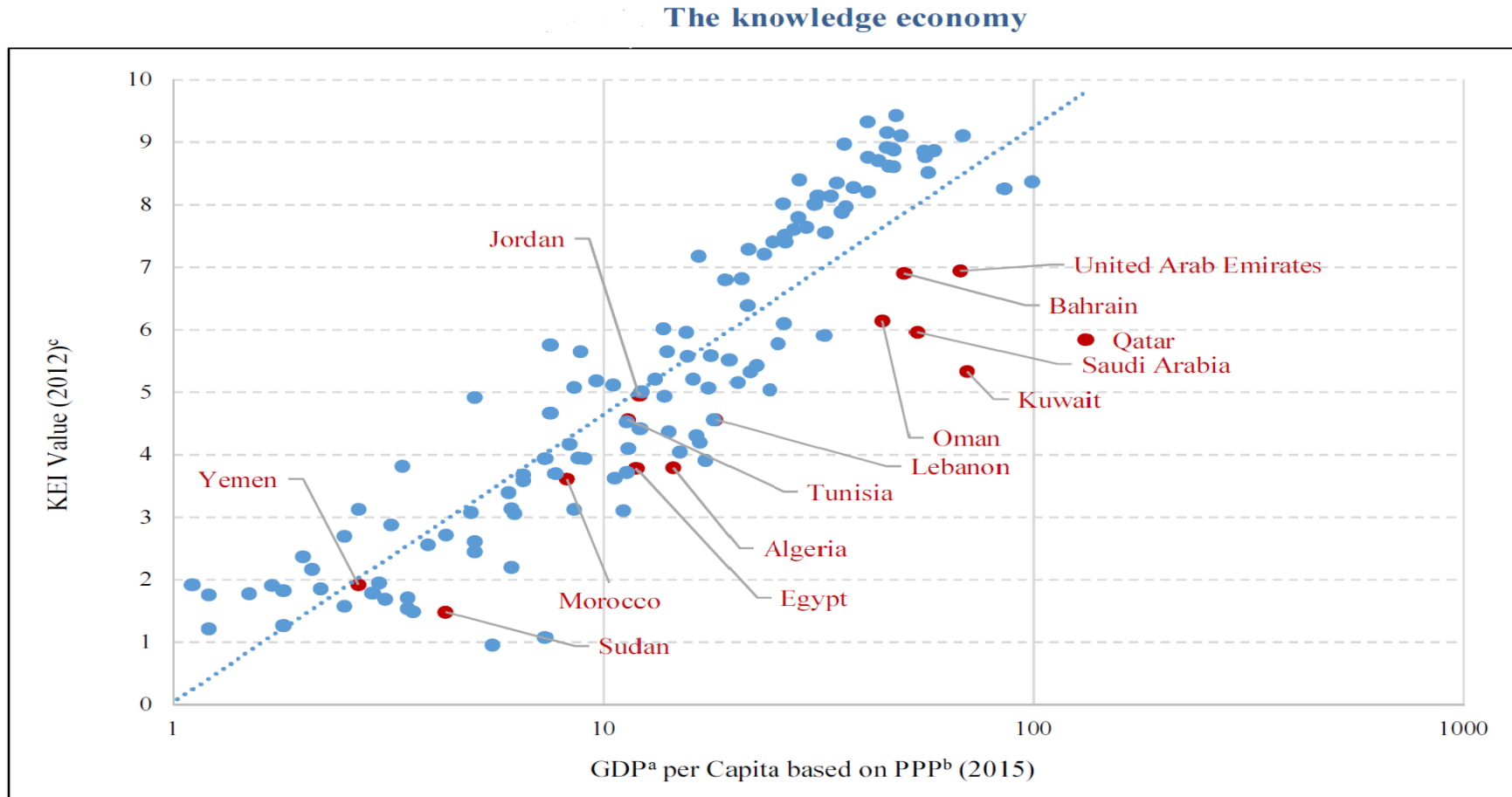
Arab Countries Rating

The World Economic Forum considers*

- Bahrain, Qatar and the United Arab Emirates as stage 3 economies, i.e. **innovation driven**;
- Egypt, Jordan, Morocco and Tunisia as stage 2 economies, i.e. **efficiency driven**;
- Lebanon, Oman and Saudi Arabia as in transition from stage 2 to 3.
- Mauritania and Yemen are in stage 1, i.e. **factor driven**;
- Algeria and Kuwait are transitioning from stage 1 to 2.

* ESCWA: The Innovation Landscape in Arab Countries A Critical Analysis

Arab Countries Rating



Sources: World Bank, 2012; World Bank, 2017.

The Economics of Innovation

- **Economic growth** → *higher nation output*
- **Higher output** → *higher added value,*
→ *higher productivity,* → *Innovation*
higher competitiveness
- **Innovation pillars:** Culture evolution
Government policy,
fund allocation
human education and skill

Policies Needed

UNCTAD has noted the “**modest performance**” of the national innovation systems in the region,

Thus, national development policies in Arab countries should include **innovation policies** that stress the following key aspects:

- It is important to consider global knowledge and technology in **national competencies** and when **drawing inspiration from local culture** and identity
- the importance of **political leadership** that inspires all economic sectors;

Cultural Evolution

It is important to consider global knowledge and technology in **national competencies** and when **drawing inspiration** from **local culture** and identity that we build on:

- Human right and dignity
- Non-oppressive environment
- Freedom of mind
- Value driven v/s Rigid model, society
- Challenging culture v/s Resilience culture

Government Policy - 1

- **Political leadership** is needed to inspire all economic sectors and to engage the commitment of the deep state institutions
- **Update the regulatory and institutional framework** within which innovative activity takes place
- An **expansion in public research** can support business sector research.
- Government should act on:
 - Clear Vision and strategy how to reach a performant knowledge society. It is a holistic approach
 - Develop Infrastructure (legal, educational, economic, etc...)

Government Policy - 2

- Mentoring programs that connect entrepreneurs with experienced business professionals
- Constant budget allocation and incentives
- Human capital and research development
- Incentive programs and tax abatements
- State-funded seed and venture funds
- Market sophistication enhancement
- Business sophistication

Innovation Enablers - 1

Recent analysis has shown that increases in R&D intensity and innovation are driven by a wide range of factors including:

- 1. Stable macroeconomic conditions and low real interest rates** which encourage the growth of innovation activity by creating a stable and low-cost environment for investment in innovation.
- 2. Fiscal incentives**, which can be effective in raising R&D, especially when firms face financial constraints.

Innovation Enablers - 2

- 3. Tax relief** for private R&D is often found to provide a stronger stimulus to business R&D than direct government support.
- 4. Availability** of internal and external **finance**.
- 5. Openness to foreign R&D**, which is associated with higher productivity growth, especially when domestic R&D investment and capabilities are also high.

Gary Hamel Opinion

- **Gary Hamel** ranks as one of the world's most influential business thinkers and leader in innovative management strategy (WSJ).
- He developed with [C.K. Prahalad](#) the [Core Competence Model](#).

“We've reached the **end of incrementalism**.

Only those companies that are capable of creating industry revolutions will prosper in the new economy”

Gary Hamel Opinion

- “Today, we’re seeing the rise of the innovation economy, and **those who cling to old ways** of doing business are getting left behind.”
- Innovation by itself is not enough. Everyone is focused on creating innovations. To win, **you need to create killer innovations** which I define as:

*A killer innovation is what would be **difficult to duplicate.***
- In order to be a **true leader in any industry**, a business must focus on creating killer innovations.

Conclusion

- In innovation economics, **innovation** is viewed as a central tenet that
 - **should be encouraged** by government policies
 - **bolstered** by knowledge, technology, and entrepreneurship
- **Quality in education** and accumulation of **knowledge heritage** are keys to enable centre of excellence in R&D