

**Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for  
Productive Capacity-building and Sustainable Development, second session**  
**“Innovation for productive capacity-building and sustainable development: Policy  
frameworks, instruments and key capabilities”**

**Opening Statement**

**By**

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*Madam Chairperson,*

*Distinguished delegates,*

*Ladies and gentlemen,*

It gives me great pleasure to open the second meeting of UNCTAD's second series of Multi-Year Expert Meetings, on the theme of foreign investment, entrepreneurship and innovation. This session will address science, technology and innovation (STI) and development. Technology has been an integral part of UNCTAD's work since the 1970s. Its importance has in recent years been reaffirmed by member States in the Accra Accord and the Doha Mandate. The chairperson's summary of this meeting will feed into the deliberations of the Commission on Investment, Enterprise and Development in April and beginning of May later this year.

*Madam Chairperson,*

*Ladies and gentlemen,*

UNCTAD supports policy-makers in developing countries in their efforts to harness STI for inclusive growth and sustainable development.

Science, technology and innovation are key for achieving economic growth and development, improving social well being and addressing pressing challenges - such as food and energy needs, climate change, or fighting disease. In today's highly globalized and interdependent economy, the importance of the ability to effectively apply knowledge to production is inexorably rising.

The addition of more labour into production, and the exploitation of natural resources using relatively simple production technologies, can generate rapid growth rates in a country for some period of time. But this has generally not created inclusive or sustainable growth beyond growth spurts that fade over time. Stimulating a process of structural change in the economy, and the development of a viable manufacturing base that diversifies the production structure, is increasingly more difficult without the capabilities needed to access, use and master new knowledge and technologies, and to enter into more complex production processes and production networks.

The patterns of global production are changing rapidly, with global and regional value chains becoming a predominant form for organizing the production and delivery of a widening range of goods and services. Lead firms in these value chains are demanding

increasingly higher levels of performance, backed by corresponding improvements in technological and innovative capabilities, on the part of the supplier and assembly firms with whom they collaborate. The firms that cannot meet minimum cost requirements and quality standards are excluded from these production networks, risking marginalization. The ability of firms to build technological capabilities and to innovate is thus essential for competitiveness in many industries and products.

This explains why technological progress and innovation are increasingly important drivers of economic growth, development and improved social welfare. This is also why we at UNCTAD have long argued that the liberalization of trade, investment and finance alone is not an adequate recipe for economic success, and countries must also pay attention to building technological capabilities and systems that support innovation.

*Madam Chairperson,*

*Ladies and gentlemen,*

This leads me to my main message today: that countries should support development through the design and implementation of strategies on science, technology and innovation as part of the overall national development strategies. They must be coherent and compatible with the other policy areas including trade, investment, education and skills, macroeconomics and finance, industrial policy. This idea of policy coherence and complementarities defines the UNCTAD integrated approach to development policy. The need for policy action in support of STI is especially urgent in the LDCs.

It is for this reason we believe that technological development and innovation capacity should feature explicitly in the post-2015 development agenda.

*Madam Chairperson,*

*Ladies and gentlemen,*

Let me now turn to the main elements needed to harness science, technology and innovation for development. From our accumulated experience and theoretical knowledge, it is clear that building human capital is crucial. It follows that policies for education and skills development must play a role.

*Second*, innovation generally does not take place by firms in isolation, but is created in systems or networks. These systems include other firms, universities and research institutes, public agencies, customers and others. Policies to strengthen these innovation systems - or networks, or eco-systems, as they are also sometimes called - must play a role. Institutional development is required.

*Third*, these systems also need to be fed by knowledge and technology flows, from within the country and from other countries. Policy measures to promote effective technology diffusion within and across countries - is critical for developing countries to gain access to knowledge and technologies and to reduce the gaps with the most advanced countries.

*Fourth*, research and development capacity must be adequate to absorb knowledge and technologies and to adapt them for local use. The basic infrastructure for undertaking research and development must therefore be established. The public sector may have to undertake part of the effort required, and to support the diffusion of productive knowledge. However, policy incentives will also be needed to encourage firms and farmers to increase private investment in knowledge, research and development.

*Fifth*, the question of how to finance innovation is always key. Difficulties in accessing finance for technology and innovative activity represents one of the most common constraints to innovation in developing countries. UNCTAD hosted a session on this issue at the meeting of the Commission on Investment and Enterprise for Development in May 2013. I invite you to consult the outcome of that meeting.

*Madam Chairperson,*

*Ladies and gentlemen,*

The need for policy action on science, technology and innovation remains essential. However, our knowledge of what policies work best under different country contexts, with widely different economic, historical and institutional structures, and diverging levels of development, remains far from perfect. There is a great need for sharing of national experiences, and the issue of establishing policy networks among developing countries merits attention. This expert meeting has been designed to address some of these central policy issues of harnessing science, technology and innovation for development.

I hope that this meeting will help to identify the implications of these various issues for policy makers in developing countries and countries with economies in transition. I also hope that it will contribute to an effective sharing of national experiences, and make progress towards the goal of strengthening STI policy networks among developing countries. I therefore wish you successful deliberations.

I thank you for your attention.