

**REMARKS BY TOM K ALWEENDO, GOVERNOR BANK OF NAMIBIA
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It is now widely accepted that innovation is a key driver for economic growth and social development. It is also well-understood that economic growth can be promoted and achieved through a variety of means such as education and training in order to have an educated work force; stimulating capital investment; stimulating a reallocation of resources from low productivity to higher productivity industries and promoting technological progress and innovation. However, technological progress and innovation is the greatest engine of economic growth. Business leaders today understand that to continue to be successful, they need to continuously search for new and better ideas that lead to innovation.

Today many countries, developing and industrialized, are experiencing growing pressure from globalization and technological change. Many, especially developing ones, are not certain as how to respond to this challenge. There are also those, such as Singapore, Finland and Ireland that seem to have found a winning formula at innovation and managed to strategically plan for the growth of their economies. These countries, for example, have bypassed the United States that was the leader for a long time and this suggest that innovation is no longer a preserve of large industrialised economies.

What we are witnessing today is what some are calling a global innovation economy. This is an environment where new opportunities for prosperity are opening up and at the same time, it creates a number of challenges. Countries that are innovators will benefit from the global innovation economy process while those who are bystanders will stagnate.

The global innovation economy is driven by ideas and is therefore to some extent different from the industrial economy of the past. For example, the industrial economy might have focused on large corporations in order to achieve economies of scale, whereas in the ideas economy, it is all about innovative entrepreneurs utilizing efficient distribution networks. The size of the corporation is no longer the most important factor. In the ideas economy innovation and flexibility is what matters. In the recent past, business leaders focused on investing in countries with low cost of production to serve as export platforms to produce high-volume manufactured products. Today the focus is shifting onto the search for the best locations to host high-value, specialized, and innovation-related activities. Companies are now focusing on gaining access to specialized workforces, research and development and unique business infrastructure.

Those countries that produce the most important new products and services are able to capture a premium in world markets that will enable them to pay high wages to their citizens. This in turn is only possible if a country is able to maintain a global technological lead and be a dominant global player in the new industries that the new technologies generate. However, experience also tells us that technological leadership is sustainable only if accompanied by innovation and creativity that is constantly renewing itself.

One can also think about innovation in terms of how it affects productivity. There is no doubt that productivity plays a key role in economic growth and prosperity. Growth in productivity leads to rising real wages for workers, increasing returns to shareholders, and increasing per capita income. However, growth in productivity is impossible without innovation. Businesses are therefore only likely to increase their productivity by finding new and better ways to use natural, human and capital resources.

Having agreed that innovation is important for economic prosperity, the question is now how do we innovate. What processes do we follow? Who should be the driver of innovation?

What is clear is that innovation cannot take place by chance. It needs to be planned properly. We need to agree that innovation can only come about if we are prepared to invest public funds in research and development (R&D). Currently the Government's investment in research and development is non-existent. This is, partly, because in many developing countries R&D is being regarded as expenditure and not an investment. We should, however, recognise that R&D is the key to innovation, new products, new technologies and new ways of doing business.

While investing in innovation through R&D is important, it is equally important to undertake such investment only after due consideration. Investing in research and development will result into a waste of resources if not properly planned. Experience has shown that investing in R&D yields the greatest benefit when an economy meets certain basic criteria.

For example, you need to have institutions of high learning and public or private research institutions where new ideas are born; the necessary buy-in and leadership from the Government and private sector business; you will need high quality infrastructure such as laboratories, transportation and information communications technology; you will need to have highly skilled workers and a good quality of life to attract them; last but by no means least, you will need investment money and an entrepreneurial culture that will help to create new ideas. These are basic requirements that must be in place for R&D to yield meaningful benefit, suggesting that for R&D to be effective you need to have a well thought out and strategic public

policy. It may sound like a lot of requirements, but it is the only way to avoid us continuing to be an economic bystander.

We also need to be clear as to who should drive the process of innovation. In this respect I would like to suggest that Government should provide the funding while a public-private enterprise is identified to drive the process. Public funding is crucial, especially in the beginning in order to achieve sustainability of funding. The inclusion of the private sector in the implementation strategy is also important because when investing in R&D you need to pick the investments that have a better chance of yielding results. Selecting and implementing R&D investments will require that you have highly skilled people, otherwise you run the risk of wasting public funds. Private business leaders are driven by excellence and they will be helpful in making judgments about the commercial applicability of specific R&D investments.

I would also like to sound a word of caution. It is highly likely that even when we have followed the correct procedures in framing our innovation strategy through R&D, we must understand that immediate job creation or economic growth is unlikely. Experience has shown that successful research takes up to 15 years to bear economic fruit. While this sounds like a long time to wait for results, it is the only way. Success will only be achieved with a sustained determined effort that can outlast setbacks and disappointments that we are certainly going to experience in the process.

In conclusion, I would like to thank the Polytechnic of Namibia for this innovative idea. It is certainly long overdue and it is my hope that the relevant stakeholders will soon recognize the importance of this venture and give it their necessary support, without which this innovative idea may not survive. What is clear, however, is that Namibia's current economic growth is not sufficient to provide prosperity to our people. It is only when we invest in innovative ideas that we will have a chance of becoming an economic player of note. Continuing with a business-as-usual attitude is no longer an attractive proposition.