

# THE ROLE OF INNOVATION IN ECONOMIC GROWTH AND POVERTY REDUCTION

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# OUTLINE

- Background and Context
- Key Relationships: Growth, Technology and Poverty Reduction
- Growth and Innovation for Poverty Reduction
- Conclusion and Way Forward

# BACKGROUND AND CONTEXT

Global Context, trends and concerns:

- Trade,
- Investment and financial flows,
- Competition,
- Global production and distribution and policies,
- Social and cultural concerns such as poverty and inequality, employment.

■ **Trade:**

- Fast growth and shifting structure towards high knowledge content manufactures and services.
- Diversification into dynamic exports is taking place in some countries but modestly in Africa.
- Africa's share in trade is very low
- Build the capacity to supply competitively.

## ■ **Investment and Financial Flows**

- Growth financial flows is by-passing Africa.
- Africa is marginalized (less than 2% of global financial flows).
- Africa participates mainly through foreign aid (ODA).
- Three main concerns: (i) ODA stagnation and decline (ii) aid dependence and loss of local initiative, (iii) Inadequate support for STI especially capacity building and towards dynamic high tech products.

## ■ **Technology**

- Technological advances have accelerated esp. ICTs: ensure inclusion.
- Large inequalities in technology generation, R&D and technology flows.
- Technology changes and increasing demand for knowledge based labour.
- Africa is marginalized.
- Loss of opportunity for technology development through imitation.

## *BACKGROUND AND CONTEXT-5*

- Debates about patenting life forms (e.g. modifying genetic materials) and implications on the growth and poverty .
- The flow of information and connectivity are revolutionalizing learning.
- Learning for sustainable development and new approaches to learning (formal and non-formal).

# *BACKGROUND AND CONTEXT-6*

## ■ **Competition**

- Competition is intensifying
- Competitiveness is driven by the technology and innovations
- Firms which have capacity to compete tend to increase their market share and expand employment.
- Those who cannot compete shrink in the market. Employment shrinks and its implications on poverty
- STI can work for MSMEs and employment preservation and expansion- Towards employment rich growth.



- **Poverty, Inequality and social dimensions**
  - 1.2 billion people live on less than \$1 per day.
  - Large and widening inequalities: the richest 20 are 37 times richer than the poorest 20 countries. The gap has doubled in the past 40 years.
  - Global leaders at the World Summit for Social Development (Copenhagen 1995) described poverty eradication as an ethical, political and economic imperative.

- The Global Summit adopted the wider definition of poverty which includes deprivation, social exclusion and lack of participation.
- The global economic and financial crisis (e.g. food and energy) aggravated vulnerability to hunger and poverty and threatened to wipe the modest progress that had been made in poverty reduction.

# KEY RELATIONSHIPS: GROWTH, TECHNOLOGY AND POVERTY

- Poverty reduction occurs through catch-up growth and structural transformation.
- Productivity in terms of raising outputs by firms and workers serves as a barometer to gauge the health of an economy and quality of life.
- Evidence shows that countries which have grown rapidly, experienced higher labour and firm productivity have also been effective in and reducing poverty.

## *KEY RELATIONSHIPS: GROWTH, TECHNOLOGY AND POVERTY-2*

- The most important driver of growth has been technology and innovations.
- Growth accompanied by structural change and socioeconomic transformation has been the main factor for poverty reduction.
- Structural change has involve a transformation that shifts the economies from low productivity and low technology development paths to technologically dynamic and skill intensive development paths which can generate shared growth and development benefits.

## *KEY RELATIONSHIPS: GROWTH, TECHNOLOGY AND POVERTY-3*

- Structural transformation has reduced poverty by promoting employment.
- In low productivity agriculture dominated economies such a dynamic development path has been based on speeding up agricultural productivity growth and boosting non-farm economic activity in rural areas so as to improve the quality life of the rural poor.
- Structural transformation relies strongly on the growth of national technological capabilities.

## *KEY RELATIONSHIPS: GROWTH, TECHNOLOGY AND POVERTY-4*

- National systems of innovation involve institutions, organisations and their linkages that make up the nations' research, development and innovation system and its governance.
- NIS in countries like Tanzania are not as effective in addressing the widespread poverty because they are characterised by weak bottom-up feedback mechanisms (ineffective inclusion of users and the large informal sector)
- A key driving force for inclusive innovation: STI strategy that is translated into priorities and

## *KEY RELATIONSHIPS: GROWTH, TECHNOLOGY AND POVERTY-5*

- The main challenge that lies ahead of most African economies-towards inclusiveness
  - Strengthening innovation capabilities of African agricultural systems and MSME capabilities in order to successfully address productivity and poverty reduction.
  - Economic and institutional regime that provides incentives for use of existing knowledge and generation of new knowledge and the flourishing of entrepreneurship.
  - Human capital: educated and skilled population.
  - A dynamic information infrastructure that can facilitate effective communication, dissemination and processing of information.

# GROWTH AND INNOVATION FOR POVERTY REDUCTION

- The experience of Tanzania in the last decade has shown that the economic pie has grown at an average of 7 percent per year and that growth has also exhibited a strong resilience to external shocks.
- However, there has been marginal reduction in poverty. Poverty rate (33.4 percent) still quite high.
- The challenge is to broaden participation in the growth process.
- generation and sustainability of jobs and livelihoods located in within the changing structure of the economy and appropriate positioning in global economy.



- STI can contribute to poverty reduction through
  - Strengthening the rights and powers of poor people and communities e.g. by creating new institutional arrangements.
  - Making markets more accessible to the poor and building the capacity to compete.
  - Improving the provision and access to public goods such as education and health.

■ Tapping global technological advances is possible:

- It is possible to promote a pro-poor technical integration into the global economy whereby both the rich and the poor benefit e.g. improvement of basic telephony in rural areas which could improve access to information (on prices of inputs and outputs).
- Provide communities in the poorer regions of the world with reasonable access to STI including ICTs and other technologies.
- Institutional innovation may be required e.g. community base organisation, establishing an institution for collecting and disseminating (on a continuing basis) all the fragmentary information about appropriate and useful technologies.

# *GROWTH AND INNOVATION FOR POVERTY REDUCTION-4*

- Political will and commitment is key
  - Guide and direction
  - Policy matters for STI to spur growth, socioeconomic transformation and poverty reduction
  - Promoting use of STI for growth, productivity and governance.
  - Politicians have used STI especially ICT in elections. It is possible to extend this commitment to STI for inclusive development

# *GROWTH AND INNOVATION FOR POVERTY REDUCTION-3*

- Institutional innovation may be required e.g. community base organisation, establishing an institution for collecting and disseminating (on a continuing basis) all the fragmentary information about appropriate and useful technologies.
- NSI to develop with participation of the majority of Africans largely making their living in agriculture and MSMEs.

# CONCLUSION AND WAY FORWARD

- STI can serve growth and poverty reduction objectives.
- The huge employment challenge and transformation especially managing a rural-to-urban employment transition can be facilitated by STI.
- Governments and their development partners need to place the STI and development of productive capacities at the heart of policies to promote growth, development and poverty reduction.

# CONCLUSION AND WAY FORWARD-2

- Technological learning and innovation is a key element of catch-up growth and structural transformation for poverty reduction
- Looking forward to we in this area to make a contribution is making it understood and its ramifications in to society broadly.
- I urge all of us to be committed to shifting attention of to socioeconomic transformation and commitment to innovation systems that make deliberate inclusion of the large sectors of our societies notably smallholder agriculture and MSMEs in the formal and informal sectors.
- STI can be an effective instrument of inclusive development. Let us play our part.

Thank you for your  
attention