

World Bank-TEPAV

Igniting Innovation: Rethinking the Role of Government in Emerging Europe and Central Asia Seminar on World Bank Regional Report Ankara (October 18, 2011)

Ulrich Zachau, World Bank Country Director for Turkey Opening Remarks

Ladies and Gentlemen. Good Morning.

It is an honor for me to be here to discuss a report that focuses on innovation policy, and on how to make innovation policy more effective.

This event is about sharing knowledge and experience on innovation. We share with you the experience of countries throughout this region and findings and conclusions about countries' innovation opportunities and challenges – and we are keen to hear from you about the experience in Turkey.

- One of our roles in the World Bank is generating and propagating policy ideas and sharing development experience globally.
- Events like this one do precisely this: they help connect local, national, regional and global policies, ideas and approaches; they help connect country experiences across the world; and they help connect knowledge across institutions and networks.
- And I would like to thank our colleagues and friend in TEPAV for organizing and hosting our discussion on innovation today in this spirit of sharing knowledge and experience.

Now let me turn to the topic we are discussing today: innovation.

Innovation is critical for enhancing growth prospects and, more importantly, generating jobs—good jobs!

- The recent global crisis has shown us that emerging market economies need a new model for sustainable growth:
 - a model based on productivity gains and innovation;
 - a model that does not rely as much on external financing;
 - a model that will lead to **sustainable** improvements in living standards and reduce the vulnerability of economies to external shocks.
- In order to increase growth in the long term, while also maintaining the resiliency of their economies to future shocks in global demand, countries stand to benefit from further efforts to **stimulate innovation efficiently**.
- Innovation, this “silent” engine of prosperity, will be key in generating growth and wealth, and it will lead to the expansion of an internationally competitive private sector, **including among SMEs—the largest generator of employment in most countries around the world**.
- **Public and private expenditures for research and development (R&D)** can contribute to boosting the productivity of existing firms, and they can also stimulate the creation of new innovative businesses.
- **Young and innovative firms are an important engine of job creation**. A recent report by the OECD notes that, in the United States, for example, firms less than five years old have accounted for nearly all of the increase in employment in the private sector **in the past 25 years**.

Fostering innovation is of course also critical for Turkey, but there are challenges

- **First, the level of resources spent on R&D and innovation matters**. Total R&D expenditures in Turkey doubled in the last decade—the second largest expansion worldwide after China—but Turkey’s R&D level of about 1% of GDP is still below those observed in countries where innovation plays a more prominent role in the development process (in the 3-5% range). With this in mind, the Turkish authorities have set a path to massively increase R&D expenditures, to at least 2 percent of GDP. I think this is an ambitious but reachable goal.
- **Second, how resources are spent matters just as much, or more**. The ultimate goal is *having* more R&D and innovation, *not spending more* on it.

- Turkey's significant increase in expenditures on R&D and innovation can translate into more actual R&D and innovation, if resources are spent wisely and efficiently. The report we are discussing today shows great potential for increasing efficiency.
 - A well-designed approach to monitoring expenditures and measuring the actual impact on R&D and innovation, for example through patents and product development, can help improve efficiency over time.
- ***Third, I would like to highlight the importance of private R&D and innovation, and of private spending on R&D and innovation.***
 - The private sector share in Turkey's R&D and innovation has been increasing. But the public sector remains dominant. There is great potential for private R&D and innovation to increase further.
 - Good public policies can play a role in enabling and encouraging private sector R&D and innovation—one example is improved enforcement of intellectual property rights protection.

We at the World Bank are honored and pleased to have the opportunity to share and discuss this report on innovation with you, and with all the stakeholders in the public and the private sector. We are proud to be a partner with Turkey as Turkey strives to strengthen global competitiveness—and innovation is one important ingredient of such global competitiveness.

Thank you very much!