**KEYNOTE ADDRESS BY H.E. BARAKA H. LUVANDA, HIGH COMMISSIONER OF THE UNITEDREPUBLIC OF TANZANIA TO INDIA AT THE INAUGURAL SESSION OF THE 9TH INTERNATIONAL CONFERENCE ON DEVELOPMENT POLICY UNDERTHE THEME, “*RETHINKING MODELS OF INNOVATIONS AND INCUBATION – CHANGING ECONOMIC SCENARIO IN DEVELOPING NATIONS.”* HELD AT AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND HIGHER EDUCATION FOR WOMEN,**

**TAMIL NADU, 9 JANUARY 2020**

**Dr. Premavathy Vijayan,**

**Vice-Chancellor, and Our Host,**

**Mr. R. Ramamurthy,**

**President, Coimbatore District Small Industries Association (CODISSIA)**

**Distinguished Personalities at the Dais,**

**Invited Guests,**

**Members of the Faculty from the Host Institute and Visiting Faculties,**

**Dear Participants,**

**Ladies and Gentlemen.**

**I. Salutation and Courtesies**

***Namaskkar! Jambo! Good morning!Bonjour!***

A story is told that one long-winded Professor noted that a student in his class had fallen asleep. He called out to the student sitting next to the sleepy one.

“John, can you wake up that fellow next to you?”

No, Sir,” replied John. You do it; it was you who put him to sleep, not me!”

***Madam Vice-Chancellor,***

I may be prone to long-windedness as a human being. So, before I put anyone to sleep, allow me to sincerely thank the Chancellor, Dr. P.R.K. Krishnakumar for his kind invitation extended to me and especially, for the very warm reception and generous hospitality since my arrival.

I must state that I gladly accepted this invite for a variety of reasons:

**First,** my urge to discover this so-called India*’s Manchester City in South* has never stopped since I came to India two a half year ago. So, once the invitation came my way I seized the opportunity without any hesitation.And, while I was looking from my hotel room this morning, I couldn’t agree more that this is truly the Manchester City of India!

**Secondly,** the honour and privilege to be invited to address this august assembly out of over 150 Ambassadors and High Commissioners based in New Delhi. It would simply be quite unimaginable that I would decline such an honour and privilege.

**Thirdly,** and more importantly, has been the thematic focus of this conference, namely, “Rethinking Models of Innovations and Incubation – Changing Economic Scenario in Developing Countries.” It is so dear and close to everyone’s heart, including myself.

**Lastly,** and so naturally, has been the close collaborative relationship that exists between this Institute and the Institute of Finance Management of Tanzania. That I would be able to join my compatriots from the IFM faculty, *albeit* briefly, was quite something to look forward to. And on this note, I wish that these collaborations are further enhanced and sustained.

In fact, what the Institute is doing is to implement what is contained in the Cooperation Framework between Tanzania and India which has existed since 1961 when Tanzania then Tanganyika got her independence and India establishing her diplomatic offices there and in 1962 when Tanzania established her diplomatic offices in New Delhi where I have been operating from.

So friends, after this brief digression I must and should be able address myself on the theme of the day, although, I intend do so more generally.

1. **Incubation and Innovations as stimuli of International Investments**

It is believed or rather acknowledged that in 1950 the average person living in Africa had almost double the income as the average person living in Asia. At sixty three per cent of the world average, living under colonial rule it was felt as though the situation change would change drastically with the ushering in of independence.

However, by the year 2016, the contrary position had become a reality. The average citizen residing in Asia made close to 80% of the average global citizen, which was not surprising witnessing the level of economic development in Asia. But what was a cause for concern was that by 2016, the average African only made 40% of the world wide average, a sharp decline from its 1950 number.[[1]](#footnote-2)

It may be said without doubt that, over the years, the role foreign investment has played in economic development and income generation in Asia is apparent with rise of economies such as China, India, Malaysia, Thailand and Vietnam leading the world in innovation and incubation of new business and verticals for growth. The rise of foreign investment has clearly contributed tremendously in the development of industry and a robust service sector that transformed economies from largely agrarian ones to economic industrial powerhouses, now swiftly advancing towards developing capacity in the hi-tech industries.

Economists suggest a strong correlation between incubation and innovation policies and increase in economic development of states. After all it is innovation that has attracted the lion’s share of investments in the Asian economies, has served them well over the years.

This assumption has worked well until the recent times; Africa which provided the highest if rate of return on investment in the world was attracting investment even from Asian Multinational Corporations such as the China National offshore Oil Corporation, India’s Oil and Natural Gas Corporation, in addition to Malaysia based Petronas. The continent of Africa had much to gain from the competition amongst economic interests seeking to gain a foothold in Africa.

However, recently the period of 2017 to 2019 has been a period major slump in the foreign direct investment contrary to the other indicators such as GDP and trade that have shown substantial improvement.

The fallout of this phenomena has been witnessed in Africa, where FDI declined by 21 per cent from 2016 levels. Weak commodity prices coinciding with repatriation of profits to developed economies have adversely effected the investment cycles. Rates of return have also shown a decline, with asset light models earning a return of 5 per cent on royalties and licensing fees as opposed to trade that gave returns of only 1 %.[[2]](#footnote-3)

Some signs of recovery are visible in 2018 with the abatement of repatriations and industrial policy reform, but larger trade tensions uncertainties still are a cause for concern. Other facts such as the drop in ODI from China in 15 years, a 3 per cent decline in ODI from developed economies also signals that much work progress is required to sustain long lasting sustainable growth.[[3]](#footnote-4)

True international cooperation between India and Africa can seek to remedy some of these problems. There is no reason that Africa given its enormous potential for innovation based wealth creation in Africa being larger than India, China and the US combined can lead to development and growth in the world.

For long North-South Investment agreements and treaties have been the trend, often biased and skewed in favour of the investor presenting itself as incentives for investment rather formalization of long term complex relationships. Leading the charge has been host governments that have faced a backlash from the implementation of these treaties.

In fact, 2017 was the watershed year in the history of such treaties that many of them have elapsed and been denunciated than have been concluded during the course of the year. Innovative mechanisms of having carved out spaces for protecting health and environment as well as other policy objectives are the need of the hour. A belief had emerged that the investor may be able to pass on some of the social and environmental costs to the host government while reaping the profits for themselves.

I am happy to note that the UN has developed a consensus that strong innovative reform proposals are required to correct this imbalance, and the Asian and African States are leading the way.

Again, cooperation in incubating new ideas and approaches is required for sustainable growth. It is my strong belief that foreign investment flows between India and Africa will lead to a win-win situation for both rather than a race to the bottom between host states relaxing their laws seeking to promote *laissez- faire* policies and insulate investors from commercial risk.

**III. Innovations and Incubation as Stimuli for International Trade**

In today’s increasingly globalized, complex and competitive world, companies looking for profitable sustainable growth need to constantly invent new competitive advantages. Innovation and entrepreneurship are recognized as key building blocks of competitive and dynamic economies.

The classical vision of linear innovation processes, either based on market needs (*market pull*) or on technological innovation (*technology push*), has given place to a more systemic vision where the business ecosystem supports the emergence and diffusion of original value propositions.

The notion of *Business Models*, when applied to innovation, enables us to describe how a company creates value through innovation, generally in interaction with other companies, and how the value will be distributed between the actors involved. The notions of Business Modelling and value creation are key to all the dimensions of successful innovation, whether technology, marketing, organizational or economically based.

As Business Models are dynamic they evolve with the maturity of the project and orientation of the business creator, and herein incubation phase plays a crucial role by enabling bringing of business projects to maturation.

A quest to develop a holistic entrepreneurial model must take note of the contemporary trends perceptible in the world economic order. The WTO has always sought to encourage the participation of small and medium-sized enterprises *(SMEs*), including those owned by women, in international trade. Women entrepreneurship is increasingly being considered as a potential source of economic and social development.

According to the International Labor Organization, more than 42% of all operating companies in the formal economy worldwide are led by women entrepreneurs.[[4]](#footnote-5) The WTO stresses that investing in women and empowering women to invest in them is a risk-free venture, as they give back **ten** times more what they get from society.[[5]](#footnote-6)

Moreover, confirming women’s participation in the economic mainstream is crucial for achieving sustainable development goals. In the latest Public Forum of the WTO, held in October 2019, themed “*Trading Forward: Adapting to a Changing World*” abundant note was taken of the role that effective entrepreneurial eco system could play towards boosting economic development.

Support was expressed in favour of young entrepreneurship, and in favour of mainstreaming of gender in international trade. With environmental considerations becoming front and centre and young people everywhere sounding the alarm, time was deemed ripe to rethink global trade and make room for innovative solutions to instill the element of sustainability therein.

Although the WTO is presently facing a systemic crisis, with the collapse of the Appellate Body, it nonetheless is still best suited to provide a platform to its members to deliberate upon the means to foster an entrepreneurial climate best suited to *Millennials* and *Generation Z,* while at the same time protecting their citizens.

Therefore, any thought on rethinking models of innovation and incubation must be preceded by thorough deliberations to amply utilize the existing multilateral institutions that strive to oversee global economic governance in an inclusive fashion.

1. **Conclusion**

Allow me, in parting, to say a word a word of caution on a related note. In a world where technology is developing in an unprecedented rapid pace, it has been observed that innovation will continue to accelerate, but developing countries will need to take rapid action to ensure they can compete in the economy of the future.[[6]](#footnote-7) They will have to invest in their people with a fierce sense of urgency, especially in health and education, which are the building blocks of human capital, to harness the benefits of technology and to blunt its worst disruptions.

And finally, I would like to end my remarks with an anecdote:

Two friends were talking about a guy.

“I will never invite him again to my parties, one said.” “Last time he did something I did not like.” “What was that?” “He came.”

*Madam Vice- Chancellor*, you invited us. We hope you meant it. And we hope we will not do anything to deny us an invitation to the next occasion.

***I thank you for kind your attention***

1. Table 2.2.2, World Inequality Report, 2018 <https://wir2018.wid.world/files/download/wir2018-full-report-english.pdf> accessed 24 December 2019. [↑](#footnote-ref-2)
2. UNCTAD ’World Investment Report’ 2018; [↑](#footnote-ref-3)
3. UNCTAD, ‘Investment Trends Monitor’ (2019). [↑](#footnote-ref-4)
4. International Labor Organization (ILO), Women’s Entrepreneurship Development in Tanzania: Insights and Recommendations; ILO Publications: Geneva, Switzerland, 2014. [↑](#footnote-ref-5)
5. World Trade Organization (WTO), Leveling the Trading Field for SMEs; WTO Publications: Geneva, Switzerland, 2016. [↑](#footnote-ref-6)
6. World Bank Group, World Development Report 2019, The Changing Nature of Work. [↑](#footnote-ref-7)