

Business- Government Partnership in the Innovation System : The New Zealand Story since 1999

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Seminario: Institucionalidad e Instrumentos para la Innovación: Experiencia Comparada Internacional

Montevideo, September 2008

Background Project

ECLAC project on "Public-Private Alliances for Strategic Export Development"

New Zealand

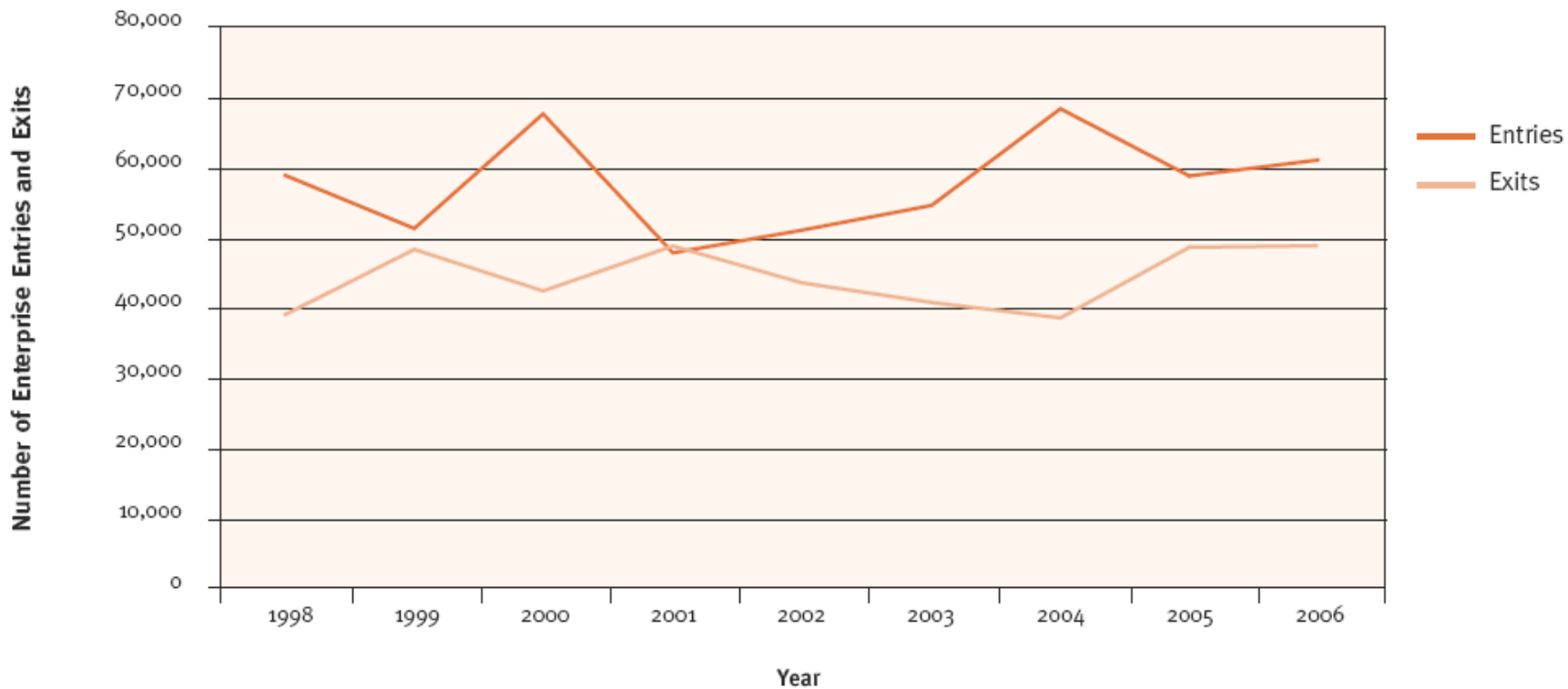
- Cohesive, modern, democratic, stable society
- Geographically remote, at the end of supply chains and trade routes
- Small, relatively urbanised, highly-educated, globally-orientated population (4.2 million)
- Sees itself as a pioneering, problem-solving society

An entrepreneurial economy

- About 350,000 enterprises
- Most small
- Simple to start a company – many do:-

Entries and Exits (Business Demography Dataset)

Figure 16. Enterprise Entries and Exits, February 1998-2006



In some ways, an economy performing well: Growth

	NZ	Aus	US	OECD
84-94	1.5	3.3	3.2	2.9
94-04	3.4	3.9	3.3	2.6
99-04	3.8	3.3	2.8	2.3

In some ways, an economy performing well: Unemployment

Year	90	95	00	05	07
%	7.1	7.5	6.6	3.8	3.6

Attractive and open to FDI

- **Foreign Investment Inflows (millions)**

	02	03	04	05	06
FDI	-2707	3517	4302	4462	2421
Portfolio	4083	6659	7414	3839	2855

In other ways, not performing well: Productivity and wages

1991-1995	0.9
1996-2000	1.4
2001-2005	0.8

Average 1.1

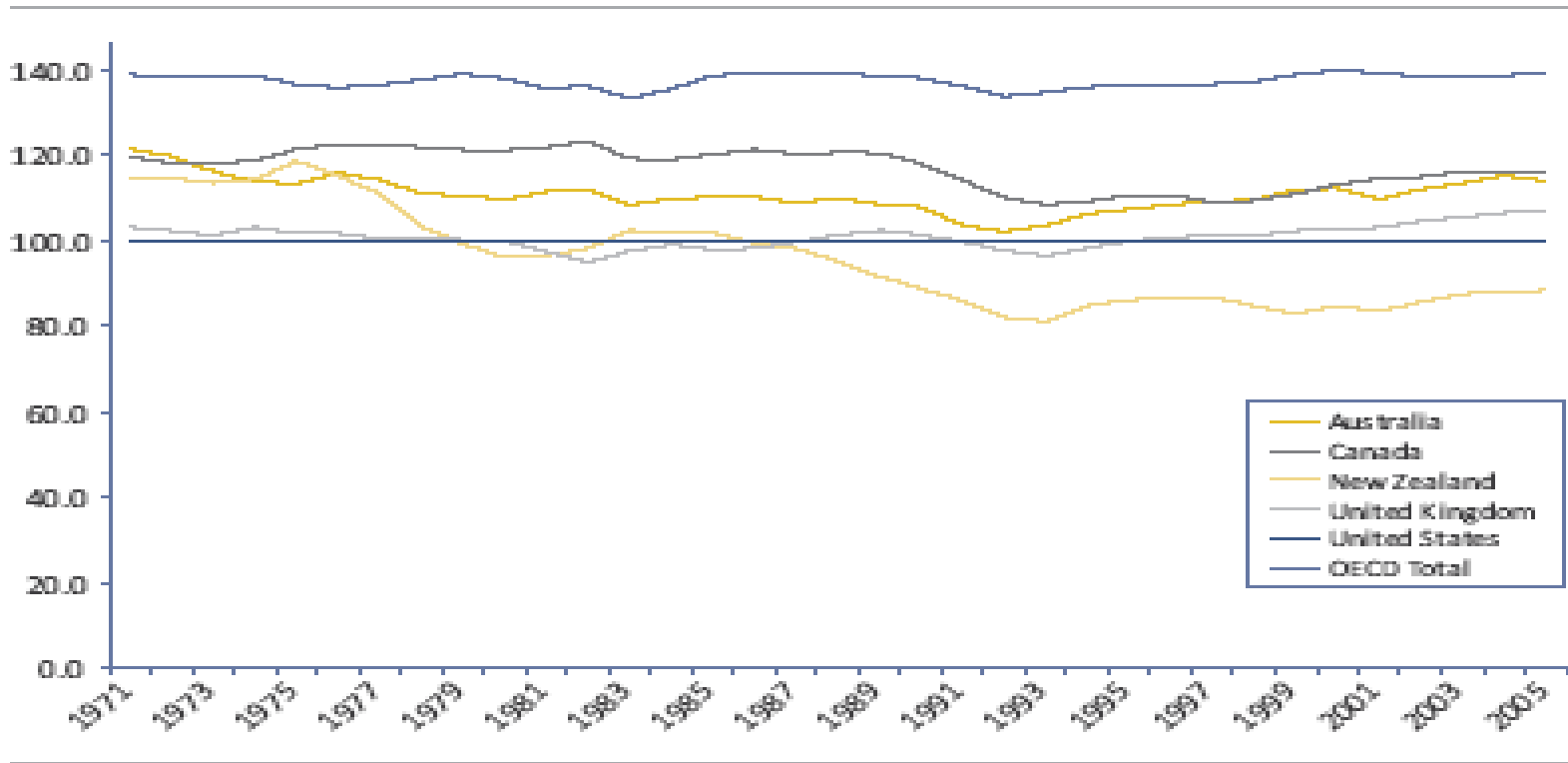
(average annual per cent change)

Labour costs for production workers in manufacturing by country	US \$ per hour, 2004
Germany	32.53
Netherlands	30.76
United States	24.71
United Kingdom	23.17
Australia	23.09
Japan	21.90
Canada	21.42
New Zealand	12.89
Korea	11.52
Taiwan	5.97
Hong Kong (special administrative region of China)	5.51
Mexico	2.50
Source: US Dept of Labor, Bureau of Labor Statistics, Nov 2005	

And particularly not well: R&D spend

- 1.2% of GDP, compared with OECD average of 2.2%
- Over 50% of R&D spend is by Government; private sector below 50%

And poorly in terms of Per Capita GDP relative to OECD competitors



1999: The End of the Neo-Liberal Experiment

- **Challenges (e.g.):**
 - Poor performance in some parts of economy
 - Capitalising on where NZ doing well (e.g. agriculture)
 - Developing new areas of success (e.g. Bio-tech)
 - Establishing appropriate infrastructure
 - Global connectedness
 - Developing (and retaining) human capital
 - The legacy of 80s and 90s: Path dependency
 - Growth and the danger of complacency (we are doing OK, so what's the hurry?)
- **Not a choice: an imperative if long-term competitiveness and benefits of global integration to be achieved**

New approach: Integrated Economic Transformation

- Growing globally competitive firms
- A world class infrastructure
- Innovative and productive workplaces
- Environmental sustainability
- Auckland: an internationally-competitive city

- A powerful commitment to the active, planned facilitation of consensus and resources by Government

Economic Transformation and Innovation

- Two key directions for innovation (Vision):
 - Strengthening fundamentals
 - Building more effective innovation
- Delivery agencies
- Implementation and evaluation

Direction 1: strengthening fundamentals

- Stable macro-economic settings
 - Sound fiscal and monetary policies
 - Encouragement of FDI
- Open, competitive economy
 - Reduced business compliance costs
 - Business support schemes
 - Improved infrastructure
 - Free and fair trade
- Social cohesion
- High skills and knowledge

Direction 1 :Fundamentals contd.

- A healthy population.
- A highly skilled population.
- Sound environmental management.
- A globally connected economy.
- A solid research, development and innovation framework.

Direction 2: building effective innovation

- A better innovation framework:
 - Creating new Venture Investment Funds.
 - Funding Centres of Excellence.
 - Improving R&D provisions
 - Developing better linkages between tertiary education providers, industry and communities.
 - Assisting in developing mentoring frameworks.
 - Supporting the partnership development of incubator processes

Direction 2 contd.

- Developing skills and talents
 - Building a quality education system.
 - Investing heavily in industry training and cutting the costs to students of tertiary education.
 - Implementing a digital opportunities strategy, including education based ICT pilot projects and a broadband access pilot.
 - Strengthening pathways for students, from school to tertiary education, from school to the workforce, and from the workforce back into the education system
 - Attracting high quality talents and bringing back overseas New Zealanders
 - Utilising overseas New Zealanders' networks and knowledge

Direction 2 contd.

- Increasing global connectedness:
 - Increased opportunities for FDI.
 - Provide more support for trade-related and export initiatives.
 - Support initiatives to brand New Zealand as being technologically advanced, creative and successful
- Focusing innovation initiatives in those areas that have the most impact (e.g.):
 - Biotech
 - ICT
 - Creative Industries

Implementation

- Strong leadership from Prime Minister
- Strong, well-placed senior ministers
- Whole of government framework

BUT FOCUS TODAY ON:

- Clearly identified lead roles in
 - Policy
 - Implementation
- Strong commitment to:
 - Stakeholder participation
 - Evaluation (see later)

Lead policy roles

- PM plus ministerial committee
- Treasury: overview of all govt expenditure
- Ministry of Economic Development (MED)
 - Policy overview on growth and innovation
- Ministry of Education (MOE)
 - Policy overview for transformation of compulsory education system
- Department of Labour (DoL)
 - Policy overview on workplace productivity
- Ministry of Research Science and Technology (MORST)
 - Advisory role on RST plus funding responsibilities

Stakeholder involvement

- Broad and deep
- Tripartism
- Business especially intimately involved in creation of vision and strategy (e.g. Science and Innovation Advisory Board)
- Intimately involved since (e.g.):
 - NZTE Board plus advisory groups for individual delivery NZTE schemes
 - CRI boards
 - TEC commissioners plus NZQA board
 - all task forces and working groups

Growth and Innovation Advisory Board

- Highest level business involvement
- Direct route to PM and Cabinet
- Serviced by MED
- Multiple workstreams:
 - Growth culture
 - Agribusiness
 - Infrastructure
 - People and skills
 - Global connectedness
 - Research and innovation

Delivery agencies (examples only)

- MED (e.g.):
 - New Zealand Trade and Enterprise
 - Government Urban and Economic Development Office (GUEDO) – Auckland
- MoE:
 - New Zealand Qualifications Authority (curriculum development and monitoring in compulsory sector)
 - Tertiary Education Commission (tertiary sector funding and planning, especially for the 8 universities and 20+ polytechnics)
- MORST:
 - Foundation for RST (FRST)
 - Crown Research Institutes (CRIs)
- DoL:
 - Transformed employment relations for greater productivity via partnership
- Reality much more complex than this

Principles of Government Support: Making a Difference

- **Emphasis on**
 - **targeting**
 - **high-end, high value-add, high-tech.**
 - **International potential**
 - **SMEs**
 - **Preferred sectors**
 - **Capability building**
 - **Applied, relevant outcomes**

Principles of Support contd.

- Part user-pays (e.g. 50% model)
- accountability
- Competitive tendering (e.g. for research funds)
- Wide range of support limits from \$5k to multi-million
- Partnerships/collaborations encouraged
- Evaluation of outcomes increasingly important
- Use of delivery agents

Evaluation

- Of vision (ministers and stakeholders e.g. Growth and Innovation Advisory Board)
- Of implementation
 - Of agencies (e.g. By Ministers, Treasury, DPMC, other ministries, GIAB)
 - Of schemes
 - By delivery agencies (including private sector)
 - By monitoring agencies

Overall current performance (2007)

