



# Assessment of innovation activities in the Pacific Region

Michele Di Maio  
UNIDO

PACE-NET Plus Bi-regional Dialogue Platform  
30 June - 1 July, 2016

# Outline

1. This Task
2. Methodology
3. Innovation in the Pacific
  - I. Current situation: An overview
  - II. Obstacles
  - III. Opportunities
  - IV. The role of the Government
  - V. The role of the EU
4. Conclusions

## This Task

Improve our understanding of innovation in the Pacific.

### *Innovation:*

the commercial introduction of new or significantly improved goods or services and/or processes used to produce or supply goods or services.

These may be new to the local economy or to the world market.

# Methodology

Collection of primary data and information:

- 1) firm-level innovation survey
- 2) stakeholders interviews
- 3) case studies

## Methodology: Firm Survey

**Objective:** collect *quantitative* data on innovation activities (2009-2014)

**Target:** domestic and foreign companies

**Countries:** New Caledonia, Fiji, Samoa, Papua New Guinea, Cook Islands.

**Period:** 2014-2015

**Final sample:** 148 companies

UNIDO designed the questionnaire and supervised implementation. CNRT, NUS, USP, UPNG, CINCW distributed the questionnaire

First attempt to conduct such a survey in the region.

# Methodology: Stakeholders Interviews (1)

## **Objective:**

collect *qualitative* data on innovation activities

## **Targets:**

entrepreneurs; representatives of business associations;  
academics; scientists; high-level government officials

## **Topics:**

type of innovation activities conducted; main difficulties;  
opinions on the role of Government; experiences of  
collaboration with European firms and institutions

## Methodology: Stakeholders Interviews (2)

**Countries:** New Caledonia, Fiji, Samoa, Papua New Guinea and Cook Islands.

**Period:** 2014-2015

UNIDO conducted the interview. Interviews organized by USP, CNRT, UPNG, CINCW, and NUS.

Open-end type interviews

- some questions asked in order to have a (minimum) comparable set of answers. Duration: 20-60 minutes

**Total Number:** 85

# Methodology: Case Studies

## Objectives:

- 1) provide detail insights into the process of innovation
  - 2) identify *examples* of success and failure in innovation
- SPI prepared the case studies (next presentation)





**TOGETHER**  
*for a sustainable future*

1966 - 2016

# Innovation in Pacific Countries

# Innovation in Pacific Countries

1. Current situation: An overview
2. Obstacles
3. Opportunities
4. The role of the Government
5. The role of the EU

# 1) Current Situation: An Overview (1)

Pacific region: very heterogeneous economic landscape

- variety between and within countries

Innovation: a key instrument to achieve diversification

- Governments interested to ensure long-run growth

Innovation is low

- limited number of examples of product and process innovation

## 1) Current Situation: An Overview (2)

Increasing interest in innovation from the private sector

- innovation is important for the vast majority of companies
- slight increase in product and process innovation expenditure
- more than 50% of firms has done some innovation-related activity in the last five years.

Yet, innovation is still limited and formal R&D is small.

Significant share of firms report innovation has been a failure.

# 1) Current Situation: Is innovation important?

RESULT: Yes: 86%; NO: 12%

## Why YES?

- for entering new markets
- increasing market share
- improve product quality

## Why NO?

- market for their products does not require innovation
- innovation would not change market share: dominant position
- innovation will not help: competitors are dominating the market.

# 1) Current Situation: Which innovation activities

More than 50% of firms:

- improved an existing product/service (domestic market)
- introduced a new product/service (domestic market)
- introduced changes in management
- introduced a new process (domestic market)

Less than 20% of firms:

- entered a new market abroad
- introduced a new product/service (world market)
- introduced a new process (world market)

# 1) Current Situation: **Effects of innovation**

Increase in profitability, market shares, and employment  
(44% of firms)

Reduction in profitability, market shares and employment  
(9% % of firms)

Not able to evaluate (!!):  
(40% of firms)

## 2) Obstacles

Vary by country and sector: high heterogeneity

Most important:

- 1) lack of business capabilities and knowledge about innovation opportunities
- 2) weak links between PS, Government, and University
- 3) weak bank system (credit)
- 4) large government inefficiencies
- 5) government support biased toward basic research
- 6) remoteness and small size of the economy
- 7) low human capital and significant brain drain



## 3) Opportunities

- Agricultural, marine, and raw material sectors

*Examples:* breadfruit flour, avocado margarine, sea cucumber, fruit wines, kava, taro chips, noni juice, and cassava beer.

- Biodiversity and eco-diversity domain

*Examples:* new drugs using endemic plants

- ICT sector

*Examples:* remote sensing, natural disaster alert system

## 4) The role of Government (1)

Past: innovation not among the priorities

Now: interest in promoting innovation

- key to diversify the economic structure and to generate long-run growth

Current strategies to favour innovation

- design of an innovation policy
- creation and funding of government agencies
- attraction of foreign investments

## 4) The role of Government (2)

### Main obstacles

- government inefficiencies
- weak dialogue with the Private Sector

### Expectations from the PS:

- more business-friendly economic environment
- reduce the cost of innovation (credit, innovation grants, etc.)
- provide training to entrepreneurs on how to manage innovation and assist them in preparing grant proposals for innovation projects
- favour the cooperation between domestic and foreign companies
- use public procurement as quality demand for the private sector

## 5) The role of EU

### Private sector

- Few cases of cooperation with an European company or institution
- EU not seen as a potential market for export

### Research institutions

- Limited interaction

# Conclusions

Country heterogeneity: size, geography, specialization, economic activity

Lack of national or regional Innovation Policy

Low innovation activity

Promising sectors: agriculture and agro-business

- bio-diversity: an opportunity?
- local products: semi-processing and/or branding

Obstacles:

- lack of data and information to design effective policies
- poor interaction Government and PS in design and implementation
- need to strengthen the role and the capabilities of the private sector