

## **Notes from the National System of Innovation held at DST on 26 March 2014.**

This meeting took place on the 26 March 2014 and was hosted by the DST at the Bunga Auditorium Auditorium.

### **Introduction**

Mr Francois Davel of International Cooperation and Resources, from the Department of Science and Technology (DST) provided some background to the draft Strategic Framework for Promoting Foreign Investment in SA Science, Technology & Innovation. The Strategy stemmed from a Ministerial Review report which recommended the need to develop a concerted strategy to promote foreign investment in the South Africa National System of Innovation. The review also called for the establishment of a Fund to leverage Strategic International Science, Technology and Innovation (STI) oriented investments in South Africa. The Department of Science and Technology's (DST) - International Cooperation and Resources, should be the lead department towards efforts of making SA a preferred destination in Africa for STI foreign investment.

### **Background**

R&D surveys that have been conducted by the Centre for Science, Technology and Innovation Indicators (CeSTII) show that foreign funding for R&D in SA averaged around 12% from 2003 to 2010 instead of 15% as targeted by the DST's Ten year Innovation Plan. SA's share of global R&D has grown at a much slower rate than in other emerging economies.

The Organisation Economic Cooperation and Development (OECD) STI Study Industry Scoreboard (2009) indicates that multinational companies increasingly favour off-shoring their R&D functions to optimise their global operations. The EU and USA multinationals are making huge R&D investments in Asia, with China, India, Hong Kong and Singapore among the top 10 R&D destinations.

The main objectives of this strategy framework is:

- \* To provide guidelines for the better structuring of collaborations between the DST and foreign investment communities in light of relevant drivers for investment in South Africa STI
- \* To propose an implementation mechanism that will provide support related to foreign investment to all DST programmes
- \* Propose instruments which DST could deploy to promote STI related foreign investment
- \* Provide a basis for consultation with relevant stakeholders in government to avoid duplication of efforts and to achieve synergy with SA's broader foreign investment promotion efforts

### **The strategy will complement the following related initiatives -**

- \* Strategy aimed at increasing national R&D investments in SA through R&D tax incentives and the forging of closer ties with the dti's Support programme for Industry Innovation (SPII) and the Technology and Human Resources in Industry Programme (THRIP). It will also include looking at ways of repatriating overseas R&D investments by SA companies and State Owned Companies.
- \* The Industry Innovation Partnership Fund conceptualised and established in Programme 5 to leverage some of the competitiveness funding from National Treasury. The objective of this programme is to create an environment where government can effectively partner with industry to co-fund research, development and innovation (RDI) in key strategic sectors of the economy
- \* IPAP2
- \* The Emerging Industries Action Plan currently being finalised and aimed at strengthening the ability of the NSI to identify, prioritise and adequately invest in new sources of growth and employment, including higher levels of government investment in RDI and diffusion especially to smaller emerging enterprises and poor communities

### **Some of the Drivers of STI - Oriented Foreign Investments that South African STI that need to be interrogated include-**

- \* Investment climate - some of the elements that need to be included in a marketing drive are macro-economic stability, mature regulatory and policy frameworks, well developed infrastructure as well as aspects related to quality of life.
- \* Accessibility to markets and clients
- \* Public incentives for Corporate R&D - these include tax incentives and instruments for co-investments
- \* Presence of Flagship projects e.g. the SKA project
- \* Presence of other multinational enterprises active in R&D
- \* A strong intellectual property rights regime - potential investors would need to be provided with assurances with regard to the rigour of intellectual property protection in SA
- \* Significant availability of S&T skills - need to communicate to potential investors of the growing number of science, engineering and technology graduates together with the required quality of high end skills (masters and doctorate) available for the implementation of projects
- \* Presence of well performing R&D institutes and basic research capabilities
- \* Lower cost of R&D in SA

### **Typology of foreign investments**

- \* R&D Centres - the goal is to establish world class RDI innovation laboratories, platforms and centres in South Africa.
- \* Research infrastructure - SA should be positioned as a hub for hosting global research facilities - DST is in the process of developing a roadmap for research infrastructure in South Africa. This would inform the identification of technology areas to be promoted where SA has a competitive advantage to attract potential investments in global facilities that will be located in SA
- \* HCD - Need to address high end skills in niche areas
- \* Investment in Technology Based Small and Medium Enterprise (SME) -Partnerships should lead to the development of national innovative capacity that will lead to the creation of new and the strengthening of existing high tech SMEs.
- \* Technology transfer - Initiatives should be encouraged that provide incentives for companies to foster and permit rapid diffusion to and in SA of technology without infringing on applicable laws governing IP should be encouraged

### **Instruments to promote STI investments**

- \* Seed and Matching Fund - An opportunity exists for establishing a matching fund to leverage international funding R&D opportunities
- \* Advisory and Support Mechanism - Global Projects Unit in Programme 3 could be tasked to act as a national focal point for the coordination and facilitation of STI related foreign investment in SA
- \* R&D incentive - The international dimension of this would be promoted in conjunction with Programme 5.
- \* Other Fiscal Credits and Offsets - This would be informed by the outcomes of the engagements that Programme 5 is having with the dti and National Treasury. For instance, several big government procurement opportunities in SA need to be structured in a way that also benefit R&D investments in the country.

### **Governance of STI orientated foreign investment promotion strategy**

- \* Proposed inter departmental committee to coordinate and oversee the development and implementation of the future strategy (highest level).
- \* These will be representatives from relevant Programmes at DST (2,3,4 and 5), the dti, department of Mineral Resources, Public Enterprises
- \* Task team to report to Exco (DST)

This is part of a wider consultative process driven by the International Cooperation and Resources (DST), the intentions are to come up with a new strategy framework that will address the approach that South Africa needs to adopt to promote foreign investment in STI.

*Themba Belle Strategic Alliances Email: [TBelle@csir.co.za](mailto:TBelle@csir.co.za) Tel: 012 841 4055*