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Agenda item 12 of the provisional agenda

Industrial innovation and productive capacity

Industrial innovation and productive capacity — Proposal submitted by Brazil

Note by the Secretariat

The present note contains a proposal on a supplementary item by Brazil as well as an explanatory note.

1. The Permanent Mission of Brazil, in a note verbale addressed to UNIDO dated 28 September 2012, requested the inclusion of the item “Industrial innovation and productive capacity” in the provisional agenda of the fortieth session of the Industrial Development Board. The note verbale as well as the explanatory note conveyed in a separate communication are reproduced in its entirety in the annexes to the present document.
2. The request for inclusion of the supplementary item has been submitted in accordance with rules 11, 12 and 14 of the rules of procedure of the Board.

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Annex I

Note verbale from the Permanent Mission of Brazil to UNIDO

Embassy of Brazil in Vienna
BRAZIL/UNIDO/Nr. 107/2012

The Embassy/Permanent Mission of Brazil to the International Organizations in Vienna presents its compliments to the United Nations Industrial Development Organization (UNIDO) and, with reference to the provisional agenda for the fortieth session of the Industrial Development Board (document IDB.40/1) and in accordance with rules 11 and 12 of the rules of procedure of the IDB, has the honour to request the inclusion of the following supplementary item in the provisional agenda:

– Industrial innovation and productive capacity.

A conceptual explanatory note for the supplementary item will be conveyed in a separate communication and may serve as basis for background documents for the respective item.

The Embassy/Permanent Mission of Brazil to the International Organizations in Vienna avails itself of the opportunity to renew to the United Nations Industrial Development Organization the assurances of its highest consideration.

Vienna, 28 September 2012
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Annex II

Explanatory conceptual note for supplementary agenda item — Industrial innovation and productive capacity

1. One of the most inherent aspects of the phenomenon of development has directly to do with the enhancement of welfare and comfort levels of citizens in a given society and with certain fundamental human rights that enable their orderly coexistence. Social welfare and the realization of human rights can only be achieved through the regular and continuous offer of certain public goods and services.

2. However, in order to offer those goods and services, it is necessary for a society to have reached some basic levels of productive capacity. For instance, public services like education and health care will only be available from the moment on when the society has a minimum infrastructure, raw materials and technical know-how in place to manufacture desks and books for schools, or medicines and medical instruments for hospitals.¹ Teachers, policemen and judges can only be properly remunerated if there is an established network of banks and governmental offices which, in turn, can only be built upon a productive industrial sector, able to organize the workforce and generate tax income. The more a society becomes affluent, complex and sophisticated, the more it needs material resources for its own maintenance. This can only be achieved through the systematic management of its industrial sector.

3. In this context, technical innovation acquires particular importance to ensure the necessary productivity that enables the regular offer of public services and realizes not only economic and social — but also civil, political and cultural rights. Innovation can be defined as the constant application of new science and technology parameters to productive processes, leading to their enhancement and to the generation of increasing levels of productivity. Technological disparities may conduce to a situation where elements that are not innovative in a certain economy are so in different circumstances. Not any technological novelty can be considered innovation, but only that one which improves the quality or the volume of production.

4. It can be argued that permanent industrial innovation, providing constant elevation of productivity levels is one of the main factors to determine the capacity of a society to offer public services and to grant basic rights to its citizens, as it advances on its development process.² Hence, there can be no realization of such rights — an inseparable feature of the modern state founded on democracy and social welfare — without corresponding industrial development driven by constant search of technical innovation.

5. An essential precondition for developmental transformations is building capacities for innovation, absorption of new technologies, and production. The effective application of, and innovation in most technologies does not come from

¹ *Human Development Report 2000*, chap.4, subchapter entitled “Resources and economic growth — a means to realizing human rights”.

² *Ibid.*, “To secure rights, societies need norms, institutions, a legal framework and an enabling economic environment—all of which require resources”.

simply making technology available, but also from the developing capabilities to enable innovative processes. In an increasingly knowledge-centred society, multidimensional capacity-building is essential for success in technology transfer and leapfrogging. Specifically, developments in technological infrastructure must be accompanied by developments in social infrastructure and a focus on capabilities is essential in order to manage and benefit from these dynamic and interdependent innovation processes.³

6. National policy discussions need to consider how innovation, research, and technology transfer are supported through the strengthening of absorptive and productive capabilities. Indigenous capabilities in science, technology and innovation (STI) are essential for the achievement of both short- and long-term development goals. These capabilities, collectively, are the ability to acquire, absorb, adapt, diffuse and adopt existing knowledge and the capacity to produce and use new knowledge. They are crucial for every country, regardless of stages of development. Building these capabilities is the role of STI policy, which should be at the heart of national development strategies.⁴

7. Innovation can be instrumental for achieving the Millennium Development Goals (MDGs). Their fulfilment still requires considerable technical capacity-building on behalf of developing countries, whereas the proper application of innovative solutions enables those countries to fill the gaps and to accelerate the implementation of the MDGs. Low cost industrial innovative solutions are particularly useful to enhance the role of small and medium enterprises (SMEs) in the national development process. Since SMEs are, collectively, the key drivers of growth and poverty eradication, fostering their development, including their innovative capabilities, is therefore a key policy issue. National governments are in a position to explore the use of a range of direct policy mechanisms and instruments to stimulate learning and innovation in enterprises, along with other policies including those related to, inter alia, trade, investment and competition policies, industrial or other sectoral policies, labour policies, and — crucially — education, training and research policies.^{5,6} Similarly, national governments have an important role to play in offering proper access to public utilities such as electricity, sanitation, telephone and broadband Internet access, which are crucial elements for a national business environment where SMEs may develop and thrive.

8. Promotion of systematic innovative capacities in developing countries, in a harmonized and coordinated way, enhances the effectiveness of South-South cooperation. Since developing countries tend to share common views on national development strategies and priorities when faced with similar development

³ Draft summary report of the Inter-sessional Panel Meeting on innovation, research, technology transfer for mutual advantage, entrepreneurship and collaborative development in the information society (Manila, 13-15 December), fifteenth session of the United Nations Commission on Science and Technology for Development (E/CN.16/2012/CRP.1).

⁴ *Innovation, research, technology transfer for mutual advantage, entrepreneurship and collaborative development in the information society*, Report of the Secretary-General (E/CN.16/2012/2).

⁵ *Science, technology and engineering for innovation and capacity-building in education and research*, Report of the Secretary-General. (E/CN.16/2008/4).

⁶ *Networks for Prosperity: Achieving Development Goals through Knowledge Sharing*, UNIDO, Vienna, 2011.

challenges, they may decide to engage in similar innovative and technological paths. The proximity of experience is therefore a key catalyst in promoting capacity development in developing countries and, in this regard, accentuates the principles of South-South cooperation.⁷

⁷ Nairobi outcome document of the High-level United Nations Conference on South-South Cooperation (United Nations General Assembly resolution 64/222).