

## INNOVATION: A POLICY AGENDA

- *Innovation is the engine of growth. It is only through innovation that companies can continuously increase their productivity and thus their competitiveness.*
- *Recognizing the importance of innovation, developed countries adopt Science, Technology and Innovation (ST&I) policies to promote research, development and technological innovation (RD&I).*
- *Brazil needs to improve its ST&I policies as its results have fallen short of expectations. Out of 127 countries, Brazil ranks 69th in the Global Innovation Index 2017.*

**Business competitiveness depends more and more on companies' ability to innovate.** It is only through innovation that businesses can continuously increase their productivity. To increase its competitiveness, generate better jobs and grow, Brazil must reinforce the production sector's ability to innovate.

**Several countries implement Science, Technology and Innovation (ST&I) policies focused on supporting technology development and uptake,** with the potential to transform businesses and markets. These policies include, for example, granting funding for innovative projects, updating regulatory frameworks and adapting them to economic changes, and promoting technology-based enterprises.

**In Brazil, the existing mechanisms designed to support innovation activities are still not able to leverage the desired results.**

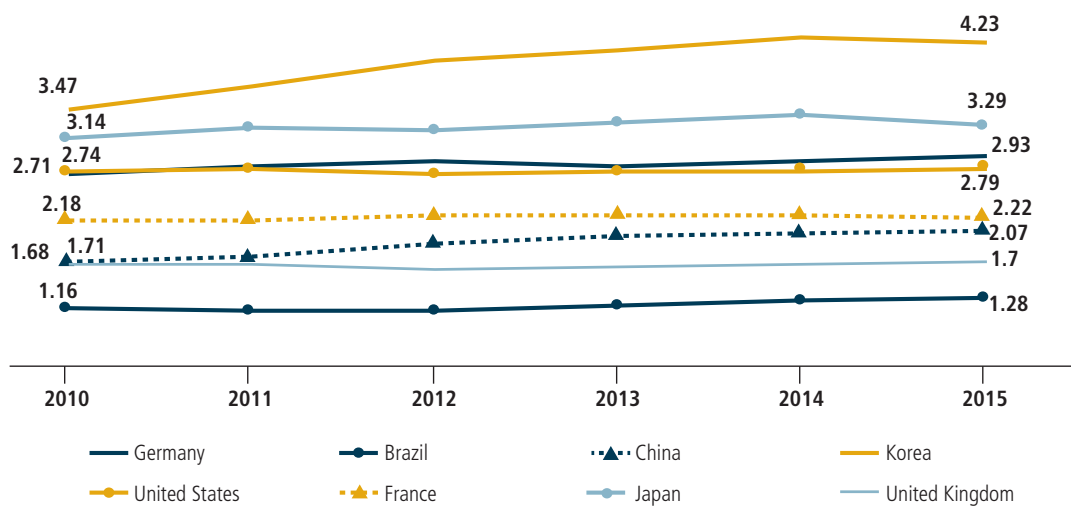
**Governance quality is a key issue that affects the consistency of innovation policies.** The overlapping roles and functions of the different actors responsible for drawing up, implementing, monitoring and evaluating policies affect their quality.

**The financing sector requires an increase in the volume of federal funds earmarked for ST&I and a change in expenditure allocation,** with emphasis on the effectiveness of public policies, on business dynamism and on the definition of strategic areas.

**As far as regulation is concerned, efforts should be undertaken to create a permanent agenda focused on cutting red tape and improving the institutional environment** while addressing the most relevant issues regarding the modernization of the existing regulatory framework and innovation support tools. Distortions and ambiguities in standards and regulations should be corrected with the aim of reducing legal uncertainty. In addition, progress should be made in streamlining the different procedures that hinder and increase the cost of business operations.

**Supporting entrepreneurship in innovative small and medium enterprises – particularly startups – is critical to the development of new technologies and business models.** Apart from contributing to updating the production environment, to streamlining processes and to adding value to products, these companies, when successful, influence the generation of employment and income, with positive impacts on living conditions and on societal development.

R&D INVESTMENTS AS A SHARE OF GDP IN SELECTED COUNTRIES (2010-2015)



Source: Prepared by CNI based on data available from OCDE and MCTIC.

## Main recommendation

### Strategic governance

**1 Coordination, liaison and management mechanisms should be reviewed to increase the effectiveness of innovation policies through**, for example, a special advisory at the Presidency of the Republic office.

### Financing

**2 The volume of federal funds earmarked for ST&I** should be increased and expenditure patterns and allocations should be modified for the purpose of increasing policy effectiveness and strengthening the business environment.

**3 The National Fund for Scientific and Technological Development (FNDCT) should be turned into a financial fund**, so as to provide greater stability to RD&I funds.

**4 The sectoral fund management committees should be reorganized**, adjusting their governance, setting priorities and reassessing cross-cutting budget allocations.

### Legal framework

**5 The new Legal ST&I Framework**, regulated in February 2018 (Law 13,243/2016), should be enhanced and the Informatics Law and the Law of Good should be improved, ensuring the permanence of these mechanisms.

### Startups

**6 Policies designed to support the development of innovative small and medium enterprises – particularly startups**, should be developed with a focus on the early stages of enterprises and on setting priorities in strategic areas.

The full version of the document can be accessed through the QR code on the side or at: <http://www.cni.com.br/eleicoes2018/downloads/> This summary is part of the series Proposals of Industry for the 2018 Elections comprising 43 documents. The series, which is based on the 2018-2022 Strategy Map for Industry is a CNI contribution to the new federal administration and presents analyses and proposals of priorities to increase Brazil's competitiveness. Any part of this publication may be copied, provided that the source is acknowledged. Brasília-DF, July 2018.

