

for better development outcomes.

### **Increase domestic expenditure on R&D**

It is a well-known fact that R&D is an important component of any effective package to promote technology and innovation. Yet African countries spend a relatively small percentage of their GDP on R&D (less than 1 per cent). In 2014, for example, gross domestic expenditure on R&D as a percentage of GDP was 0.68 per cent in Egypt, 0.27 per cent in Togo and 0.64 per cent in Uganda. These numbers are far below the 1 per cent target set by the African Union and need to be scaled up.

A related issue is the low investment rates in tertiary education in Africa which is a disincentive to R&D and also constrains technology transfer through foreign direct investment (FDI). African governments should prioritize tertiary education to stimulate R&D and also promote knowledge spillover from foreign to domestic firms. Studies have shown that when domestic workers have required skills, it facilitates knowledge spillover to domestic firms and enhances local capacity to absorb foreign technology. While we emphasize the need to increase spending on R&D, it is

also important to point out that R&D is useful to the extent that it can effectively foster technological learning and building of innovation capacities in a country. It is therefore important for African governments to pay attention to the kinds of research activities they promote to ensure that they address the technology and innovation needs of the country.

### **Strengthen university-industry collaboration**

Universities are major producers of knowledge. But for this knowledge to have impact on diversification and structural transformation, it has to

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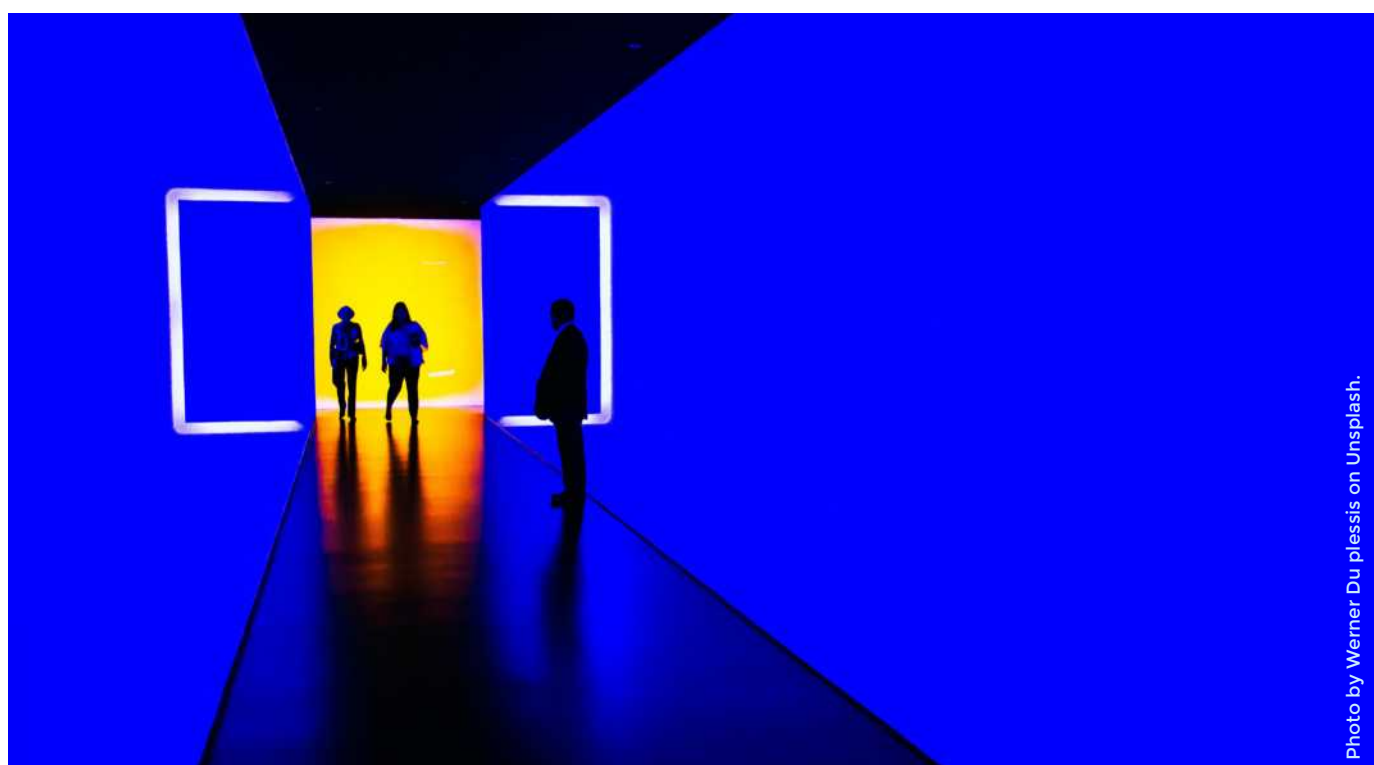


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