

## **IFC Competition, Innovation and Productivity: Fostering Private Sector Growth – January 24, 2023.**



World Bank U.S. Executive Director Dr. Adriana D. Kugler

The USED was invited to lead a panel on the link between competition and innovation which was part of a two-day conference organized by IFC on Competition and Productivity. The USED emphasized the role of technological adoption and innovation in promoting private sector growth in middle and low-income countries and, in particular, the importance of the role the IFC can play in encouraging innovation small and medium sized companies in developing countries.

The panel discussed the role of innovation vis-à-vis other sources of growth including human capital and investment, as well as the role of innovation vs. imitation and the roles of product vs. process innovation in the context of developing countries. Importantly, the panel focused on the role that a competitive market environment with enough profits for the innovators can play in driving innovation and emphasized the important role of smaller and new firms in driving technical change. In this sense, the panelists emphasized that the IFC should enhance its role in terms of providing venture capital. Finally, panelists also highlighted the constraints that impede more innovation and imitation in MICs and LICs, including lack of human capital and credit market constraints. In this regard, the USED emphasized the role that the WB can play to support IFC efforts by creating a strong regulatory framework and supporting human capital accumulation and the continued need for a One WBG approach.