

Editorial

In the context of what at the Development Centre we have termed “shifting wealth” developing economies are increasingly engaged in the redefinition of their development strategies. The recognition that development is more than growth, and that it requires a change in socio-economic structures in order to redistribute rents and increase equality of opportunities for all citizens, is accompanied by a renewed attention towards production development and innovation in many developing economies. In this respect, increasing attention is paid to the role of innovation as a potential source of more inclusive and sustainable development.

In Latin America and the Caribbean the debate about innovation for development has regained ground since the beginning of the 2000s. Most countries have designed and implemented innovation plans and policies to increase their domestic scientific and technological capabilities and to enhance their capacity to introduce innovation into domestic, regional and global markets. Despite the improvements of the last decades in the institutions for innovation policy, such as the creation of councils for innovation with private and public participation, the innovation agenda in the region tends to suffer from low budgets, barriers in implementation, a low degree of co-operation between science and business and a lack of a culture of impact assessment and evaluation.

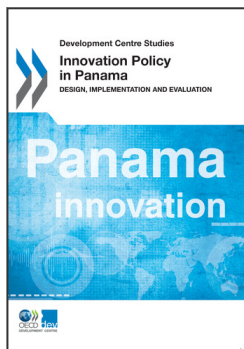
Economies in the region are increasingly confronted with the imperative of diversifying and broadening their sources of growth. As science, technology and innovation (STI) policies are called upon to play a more prominent role to drive production transformation and productivity growth, it becomes crucial to assess and enhance their effectiveness. Better understanding of STI policy design and implementation and of their impact should also be seen as part of government attempts to respond to citizens’ calls for more accountable policies.

Against this background, the Development Centre has engaged with key actors in the region in the framework of the OECD Latin American and Caribbean Innovation Initiative and analysed the experiences of countries with policies to promote structural transformation. This included the 2015 *Latin American Economic Outlook* on skills for innovation, the analysis of Costa Rica's approach to attracting knowledge-intensive foreign direct investment (FDI) and the comparative analyses of policies to promote the creation of start-ups in six Latin American countries.

The present study, looking at the experience of innovation policy in Panama, is the latest addition to this strand of work. Panama is one of the fastest growing countries in Latin America. It is a small, open economy and highly specialised in services. However, despite the high growth of the last decades, poverty and inequality remain major development bottlenecks, especially when territorial differences between provinces are taken into account. Since the mid-2000s, Panama has started to promote science and innovation as part of its development strategy. This initial policy approach focused on improving the quality and quantity of human resources for science and technology and on democratising access to information technologies. Nonetheless, and like many countries of the region, Panama still faces significant challenges in promoting innovation. Against this background, guaranteeing employment for scientific staff, promoting innovation in the private sector and enhancing co-ordination between different governmental bodies involved in the promotion of innovation will be key in the years to come.

The new global economic landscape opens opportunities for development, but to grasp the full benefits of these new opportunities enhanced policy frameworks, increased co-ordination among government actions and private sector commitment are required. This study reviews the institutions and the policy mix of Panama's innovation policy; it assesses the achievements and challenges of innovation policy in the country and it proposes recommendations to improve the design and implementation of the national innovation policy to increase its effectiveness. While Panama is engaged in the definition of its new innovation plan, this publication is a contribution that takes stock of the country's experience in innovation policy and identifies policy recommendations to move forward.

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