

## Executive summary

Panama is one of the fastest growing economies in Latin America, but there is a consensus that policies are needed to transform its growth into an inclusive and sustainable development path and that more should be done to spur innovation and productivity growth. Since the 2000s, the country has started to design and implement policies to promote innovation and has set up a mechanism to monitor implementation. This study analyses the recent economic and innovation trends and the innovation policy in the country, focusing, in particular, on the implementation of the National Strategic Plan for Science, Technology and Innovation (PENCIYT) 2010-2014, with a view to identifying lessons to improve the innovation policy. The study has benefited from the participation of peers from the Dominican Republic and Uruguay to gain insights from their experiences in innovation policy design, implementation and evaluation. The experience of Panama offers lessons to other small developing economies which are experimenting with ways to improve their participation in global knowledge economies.

Panama is a small, open economy, highly specialised in services. However, despite the strong growth of the last decades, poverty and inequality remain major development bottlenecks, especially if 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. Like many countries of the region, Panama still invests little in innovation. The country's investment in research and development (R&D), for example, is one of the lowest in Latin America: in 2010, the country's gross expenditure on R&D (GERD) stood at only 0.2% of gross domestic product (GDP), significantly below the regional average (0.75% of GDP). The initial policy approach resulted in an increase in the quality and quantity of human resources for science and technology and the democratisation of access to information and communication technologies, but the country now faces the challenges of guaranteeing employment for scientific staff and of promoting innovation in the private sector.

The country's experience in designing and implementing innovation policy is recent. While it is still too early to assess the overall impact of its efforts, a review of current government measures to foster innovation reveals that it is

accumulating expertise on how to design and implement innovation policies. Major challenges are consolidation of actions around a reduced number of core priorities; simplification of procedures for policy implementation and resource allocation; and increasing co-ordination with other government bodies, such as the agency in charge of the promotion of the development of small and medium-sized enterprises, and with the private sector.

While Panama is engaged in the definition of its new innovation plan, this study is a timely contribution that takes stock of the country's experience in innovation policy and identifies ways to move forward. From the analyses presented in this report, it is possible to make the following recommendations to strengthen the effectiveness of innovation policy in Panama.

## Shift attention from planning to implementation

Government plans do not guarantee effective implementation. They are a relevant starting point, but they are effective only when matched with execution capacities and the availability of budgets to implement the relevant actions.

- **The PENCYT could be shortened**, and focused on setting the strategic orientation of the policy over a five-year period, with targets and associated planned budget.
- Within the National Secretariat for Science, Technology and Innovation (SENACYT), **planning and evaluation functions could be separated**.
- **The barriers to effective implementation should be removed by simplifying procedures**. The government could consider the creation of an institutional arrangement that makes it possible to have an implementing body/agency, such as, for example, the creation of a dedicated operative unit in SENACYT. In addition, it would be important to modify the existing procedures and facilitate disbursement mechanisms to reduce operating costs and time delays in implementation by allowing SENACYT to operate in a more flexible way.
- **Look for new pluri-annual financing mechanisms**. The effectiveness of the pluri-annual plan for innovation is hindered by the mechanism of yearly budget allocation and by the fact that each disbursement from SENACYT is subject to approval by the national audit office, making the process of allocation of resources slow and bureaucratic. The creation of innovation funds in priority areas, jointly managed by the public and private sectors, with simplified operational rules, could help raise the budget for innovation and overcome the current implementation barriers.

## Mainstream innovation policy in the national development strategy

The innovation agenda cuts across several institutions and bodies. Despite the efforts made, innovation policy in Panama has suffered from a low level of co-ordination with other government policies and with a low capacity for dialogue with the business community. In order to advance, it is important to:

- Continue to **raise awareness** at the decision-making level of the importance of innovation as a fundamental element of the national economic strategy, with the aim of mobilising a greater amount of resources in the future.
- **Keep investing in the popularisation of science and technology** to increase citizens' awareness of the importance and potential contribution of science and innovation to the development of the country and its access to global markets.
- **Increase co-ordination** across government bodies and levels of government. This can be done by reactivating the SENACYT Governing Board and the Interministerial Council for Science and Technology (CICYT) as spaces for strategy-setting to align actions managed by different government bodies.
- **Increase public-private dialogue** and partnership for innovation. The Centre for National Competitiveness (CNC) offers the private-public linkage dimension that SENACYT lacks and it could be a powerful ally in promoting science, technology and innovation policy in Panama, by making the domestic private sector more aware of the innovation agenda.

## Strengthen monitoring and evaluation capacities for innovation policy

Monitoring and evaluation systems are essential to allow policy learning and to increase the effectiveness of actions. In Panama, it would be important to:

- **Strengthen monitoring capacities** within SENACYT, by increasing the number and variety of backgrounds of the people in charge.
- Plan in advance **evaluations of specific programmes** and tools with a view to improving future policy design, clarifying data requirements and costs.
- **Increase domestic evaluation capacities** and, given the limited size of the country, set up a network of external evaluators to rely on as a complement to internal evaluation capacities.
- **Define clear mechanisms for feedback** from monitoring and evaluation into current and future policies.



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