

PANAMA

1. Recent trends

Poverty in Panama decreased from 16.7% in 2016 to 14.3% in 2022, well below the Latin America and the Caribbean (LAC) average of 24.1%. Extreme poverty also decreased from 7.4% in 2016 to 6.5% in 2022, below the LAC average (8.3%). The Gini index increased slightly from 50.4 in 2016 to 50.9 in 2021, remaining above the LAC average (44.8). Regarding investment and production transformation indicators, total investment in Panama increased from 38.4% of GDP in 2016 to 39.3% in 2017, remaining well above the LAC average which increased from 20.8% to 21.3% over the same period. Private investment slightly decreased in Panama, from 25.0% of GDP to 24.6% between 2016 and 2019, yet remaining well above the LAC average (15.8% in 2019). The share of exports of high-tech products in total exported manufactured goods declined from 1.2% in 2016 to 0.3% in 2021, below the LAC average (7.2%). Positive perceptions of foreign direct investment (FDI), which declined across the LAC region, dropped in Panama, from 67.8% in 2016 to 50.0% in 2020. The country's tax revenue decreased from 15.5% of GDP in 2016 to 12.7% in 2021, in line with a regional declining trend, and remains well below the LAC average (21.5% in 2021). Environment-related tax revenues declined from 0.7% of GDP in 2016 to 0.4% in 2021, below the average of 0.9% in LAC.

2. Long-term policies to promote investment and production transformation

Panama has made significant efforts to **attract and mobilise high-quality investment**, focusing mainly on boosting participation in the international economy, attracting investments and promoting exports. The country established PROPANAMA to: design and implement the Investment Strategy; design and implement the Integrated Trade Promotion and Export Market Opening Programme; accompany development of the Panama Country Brand; support development of inter-institutional actions; and strengthen its institutional capacity. In 2023, Panama presented its Investment Map for the UN Sustainable Development Goals (SDGs), promoted by the Ministry of Commerce and Industries with the support of the United Nations Development Programme (UNDP). This initiative identifies investment opportunities and business models that have significant potential to promote the SDGs and generate attractive financial returns for investors.

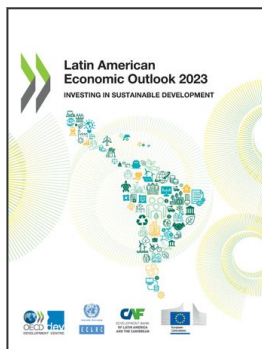
To advance an **inclusive and sustainable production model**, Panama has focused its Strategic Governance Plan for 2021-24 on five fundamental axes: good governance; rule of law; competitive economy to create jobs; poverty and inequality reduction; and education, science, technology, and culture. At the beginning of 2016, the government announced a dialogue to adopt Panama 2030, a National Strategic Plan with a State Vision, aiming to enable achievement of the SDGs. The Plan sets out five goals that form the basis for the country's development: good life for all; growing more and better; environmental sustainability; democracy, institutions and governance; and strategic alliances for development. To move towards circularity, resilience and progressive emission reductions, Panama designed the National Climate Action Plan (PNAC). This key instrument promotes a long-term national and sectoral agenda on climate change, aiming to facilitate and ensure Panama implements its first update of the Nationally Determined Contribution of Panama and fulfils its commitments.

In terms of **regional and international partnerships** to support the attraction of quality investments, Panama has established collaborative initiatives with partners both within and beyond LAC. **Within** the region, Panama signed a ground-breaking agreement in 2015 with Costa Rica to protect the labour rights of migrants, including indigenous populations. This agreement aims to improve collaboration between the two governments in managing dignified, orderly, humane, and safe labour migration, as well as monitoring labour conditions and ensuring access to services such as health, education, and social security. **Beyond** the region, Panama and the European Union have defined diverse co-operation priorities for 2023: on climate and energy (including production of green hydrogen and universal access to energy); health (creation of a regional vaccine development centre and manufacturing plant); and digital education and research (e.g. creation of the Copernicus data centre).

	Key indicators – Panama					
	Panama		LAC		OECD	
	2016	2022	2016	2022	2016	2022
Social						
Extreme poverty	7.4	6.5	8.1	8.3	N/A	N/A
Poverty	16.7	14.3	25.9	24.1	N/A	N/A
	2016	2021	2016	2021	2016	2021
Share of internet users (% of population)	54.0	67.5	54.5	74.2	81.8	89.6
	2016	2021	2016	2021	2016	2020
Gini index	50.4	50.9	46.3	44.8	34.1	33.6
	2009	2021	2009	2021	2009	2021
Share of total population in informal households (%)	N/A	N/A	44.2	46.8	N/A	N/A
Share of total population in informal households, upper-income quintile (%)	N/A	N/A	23.9	21.3	N/A	N/A
Share of total population in informal households, lower-income quintile (%)	N/A	N/A	77.6	78.2	N/A	N/A
	2019	2023	2019	2023	2019	2023
SIGI index	N/A	15.2	25.4	21.6	17.5	15.3
	2015	2018	2015	2018	2015	2018
PISA score in science	N/A	365	411	407	489	487
Productivity and innovation						
	2016	2023	2016	2023	2016	2023
Labour productivity (% of the United States)	N/A	N/A	29.3	27.1	70.0	68.5
	2016	2021	2016	2021	2016	2021
High-tech exports (% of manufactured exports)	1.2	0.3	8.4	7.2	16.5	16.0
	2016	2019	2016	2019	2016	2019
R&D expenditures (% of GDP)	0.1	N/A	0.3	0.4	1.8	2.0
Investment and production transformation						
	2016	2017	2016	2022	2016	2022
Total investment, gross fixed capital formation (% of GDP)	38.4	39.3	20.8	21.3	21.9	22.8
	2016	2021	2016	2022	2016	2022
Foreign direct investment (FDI), net capital inflow (% of GDP)	9.1	3.5	4.4	4.6	6.8	3.5
	2016	2019	2016	2019	2016	2019
Private investment (% of GDP)	25.0	24.6	16.1	15.8	18.2	18.8
	2016	2021	2016	2021	2016	2021
Public investment in economic infrastructure (% of GDP)	3.0	1.1	2.3	1.6	N/A	N/A
Citizens' perceptions and institutions						
	2016	2020	2016	2020	2016	2020
Share of population who perceive FDI as beneficial (%)	67.8	50.0	70.9	53.9	N/A	N/A
	2018	2020	2018	2020	2018	2020
Share of population who consider that, in general, domestic products are of lower quality than imported ones (%) (agreeing or strongly agreeing)	41.8	39.5	44.6	42.7	N/A	N/A
	2016	2022	2016	2022	2016	2022
Corruption Perception Index (score on a scale of 0 [highly corrupt] to 100 [totally clean])	38.0	36.0	41.2	40.6	67.3	66.3
Security risks indicator (score from 0 [low security risks] to 10 [high security risks])	5.4	4.9	5.9	5.6	2.8	2.6
	2010-14	2017-22	2010-14	2017-22	2010-14	2017-22
Belief that science and technology will create more opportunities for the next generation (score on a scale from 1 [strongly disagree] to 10 [strongly agree])	N/A	N/A	7.3	7.2	7.6	7.2
Share of population who worry (very much or a great deal) about not being able to provide a good education for their children (%)	N/A	N/A	75.4	74.0	49.8	41.4
Fiscal position						
	2016	2021	2016	2021	2016	2021
Total tax revenues (% of GDP)	15.5	12.7	22.0	21.5	33.6	34.1
Environmentally related tax revenue (% of GDP)	0.7	0.4	1.1	0.9	2.4	2.0
Share of VAT (% GDP)	2.6	1.8	5.9	6.1	6.6	7.0
Share of PIT (% GDP)	1.5	1.7	2.0	2.0	7.8	8.3
Share of CIT (% of GDP)	1.8	0.9	3.2	3.4	2.9	3.1
Debt service (% of total tax revenue)	10.5	16.1	11.3	12.3	5.4	5.3
	2016	2020	2016	2021	2016	2021
Social expenditure (% of GDP)	8.5	11.4	11.3	13.3	20.1	22.0
	2016	2020	2016	2020	2016	2019
Perception of tax evasion (%)	N/A	29.8	N/A	27.3	N/A	N/A

Note: See the Reader's Guide for definitions and sources.

StatLink  <https://stat.link/kr6hyl>



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