Innovation...

... is the transformation of new ideas into economic and social solutions. Including:

- doing things more efficiently
- a new or significantly improved product or process
- a new marketing practice
- a new organizational method

(OECD and Eurostat, 2005)
Innovation is a key determinant of long-term growth

\[ y = 0.181 \ln(x) + 5.7844 \]

\[ R^2 = 0.4124 \]
And investments on innovation generates high social rates of returns

Rates of Return to R&D and Stages of Economic Development

Sources: Notional representation of findings from Gøñi and Maloney, 2014.
But Latin American economies are not innovating enough

Investment in R&D as a share of GDP and the proportion that is funded by the business sector.

- Funded by Business
- Funded by Other Sources

Sources: OECD and RICYT.
And there is Low Public Support for Innovation in Firms

Public financial support (percent of all firms)

Source: IDB 2010
MARKETS PRODUCE A SUB-OPTIMAL LEVEL OF INNOVATION
And developing countries must face special challenges
Weak innovation climate

- Quality certification
- Tech services
- Know-how
- Intangible assets
- Metrology
- Venture Capital
Scarcity of specialized technicians and engineers

Researchers per 1,000 in the labor force

Source: Approximate figure based on RICYT and MISTI, accessed December, 2014.
Weak institutional capacity

- Dynamic inconsistency
- Poor coordination
- Capture
How to define the best policy mix?
HOW FAR ARE FIRMS FROM THE TECHNOLOGICAL FRONTIER?
WORK WITH THE AVAILABLE INSTITUTIONS
IDB
PRIORITY AREAS
GROWING PUBLIC AND PRIVATE INVESTMENT IN STI
MORE HIGHLY SKILLED HUMAN CAPITAL
HIGHER PUBLIC AND PRIVATE INVESTMENT IN INFRASTRUCTURE FOR STI
BETTER INNOVATION CLIMATE

- Quality certification
- Know-how
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THANK YOU!