



PROJECT NOTIFICATION

Ref. No.: 21-RC-08-GE-RES-A-PN2100046-001

Date of Issue	30 June 2021
Project Code	21-RC-08-GE-RES-A
Title	Research on Innovation-led Productivity Growth for Middle-income Trap Avoidance
Timing and Duration	July–December 2021 (six months)
Hosting Country(ies)	Not Applicable
Modality	Digital Multicountry
Implementing Organization(s)	APO Secretariat
Participating Country(ies)	All Member Countries
Qualifications of National Experts	Policy analysts or academic researchers specializing in economics and innovation policy studies with a track record of experience, excellent English writing and presentation skills, and submission of qualified research proposals selected by the APO research expert panel
Qualifications of Expert Panel	Extensive knowledge of empirical modeling for innovation and productivity growth, the middle-income trap, and innovation policies for middle-income countries with a track record of experience and publications in English on those topics
Nomination of National Experts	All nominations must be submitted through National Productivity Organizations of member countries
Closing Date for Nominations of National Experts	2 August 2021

1. Objectives

- a. Analyze bottlenecks in the economic growth of middle-income APO member economies.
- b. Simulate and develop model for the contribution of innovation to productivity and economic growth in middle-income economies (MIEs).
- c. Review the effectiveness of innovation policies for productivity growth and their implications for middle-income trap avoidance in member countries.

2. Background

After decades of rapid economic growth in Asia, many countries have transited from low-income to middle-income status. The challenge is for MIEs to sustain the growth and evolve into the high-income category. This economic growth slowdown, if prolonged, constitutes the so-called middle-income trap. The underlying determinants of the middle-income trap include the diminishing advantage of low-cost labor and declining contribution of total factor productivity (TFP) growth to overall GDP growth. In the APO region, 16 members are MIEs.

Innovation therefore becomes an important source of growth as an economy moves away from intensive resource usage and embarks on the technological frontier of high-income countries. In other words, innovation replaces capital accumulation in the long run, and technological catch-up plays the role of productivity growth engine in MIEs. Fostering innovation to boost productivity performance and economic growth is a way to avoid the middle-income trap. Specifically, scaling up technological capabilities for higher value-added economic activities and enhancing human capital level for increased absorptive capacity, among others, offer solutions to avoid the middle-income trap. Pursuing innovation for productivity enhancement is emphasized in the APO Vision 2025.

This in-depth research will analyze the bottlenecks that middle-income APO members are facing. It will estimate the contribution of innovation to the productivity performance of MIEs, examine innovation-related policies that support the MIEs, and study the lessons from members that have avoided the trap to reach the high-income level, such as ROC, Japan, ROK, and Singapore. The research results are aimed at guiding policymakers in leveraging innovation to enhance productivity performance for middle-income trap avoidance.

3. Scope and Methodology

Scope

- a. Middle-income trap avoidance
- b. Productivity and economic growth slowdowns in MIEs
- c. Lower middle-income, upper middle-income, and high-income categories
- d. Technological capabilities and absorptive capacities
- e. TFP contributions to GDP growth
- f. Innovation policies for productivity growth

Methodology

- a. Research paper proposal submission: Researchers interested in the topic are invited to submit proposals through National Productivity Organizations of member countries. A research paper proposal should include a country's specific issue on the topic of innovation-led middle-income trap avoidance, outline of the paper, empirical methodology of estimation, and data sources.
- b. Research proposal review and selection: An expert panel comprising two experts assigned by the APO will review and select the qualified research proposals between 3 and 15 August 2021. Selected research proposals will be announced on 16 August 2021.

- c. In-country research: The authors of selected research proposals will collect and analyze data and write research papers. Comments and advice may be given by the expert panel. The final drafts of the research papers should be submitted to the APO Secretariat by 15 October 2021.
- d. Research paper finalization: After submission of the research papers, the expert panel may give comments and request revisions.
- e. Virtual research result dissemination session: Penultimate drafts of research papers detailing country-specific situations and empirical results will be presented in a virtual meeting for feedback from other experts/relevant stakeholders in member countries. The virtual session will be around four hours and comprise presentations on the following:
 - Research framework
 - Methodology and scope
 - Research findings
- f. Publication of research findings: Final research papers will be published after the research result dissemination session.

4. Tasks of Experts

National Experts

- a. Collect data at national level and write research papers following the agreed topic, methodology, and framework outlined in the research proposal.
- b. Submit draft research papers to the expert panel and APO Secretariat by the deadline.
- c. Revise the research papers if necessary following the comments provided by the expert panel and APO Secretariat.
- d. Present the research papers in the research result dissemination session.
- e. Cooperate with the expert panel to ensure the quality and consistency of the final report.

Expert Panel

- a. Develop the guidelines and formulate the overall framework for the review of research papers.
- b. Participate in the selection of qualified research proposals.
- c. Provide support and advice to national experts in conducting the research.
- d. Review draft papers and provide feedback to national experts to ensure the quality of the final research publication.
- e. Prepare the final research publication comprising research papers by national experts and submit the manuscript to the APO Secretariat by the deadline.

5. Financial Arrangements

To be borne by the APO

Honoraria for the expert panel and national experts.

To be met by experts or participating countries

All local implementation costs incurred by the national experts when collecting data at the national level.

6. Actions by Member Countries

- a. Member countries are requested to nominate candidate national experts before the deadline.
- b. Each nomination must be accompanied by the APO biodata form and research proposal and uploaded to the APO Document Management System (DMS)/Fleekdrive by the NPO. The

biodata form is available on the APO website.

7. Actions by the APO Secretariat

- a. Announce the call for research proposals on the APO website.
- b. Identify and invite the expert panel to lead the research until its completion.
- c. Coordinate with the expert panel to make the final selection of qualified research proposals.
- d. Coordinate all arrangements related to the research activities.

A handwritten signature in black ink, appearing to read 'AKP Mochtan', with a long, sweeping flourish extending upwards and to the right.

Dr. AKP Mochtan
Secretary-General