



## PROJECT NOTIFICATION

Ref. No.: 22-RC-20-GE-RES-B-PN2200025-001

<b>Date of Issue</b>	15 March 2022
<b>Project Code</b>	22-RC-20-GE-RES-B
<b>Title</b>	Policy Study on Productivity-enhancing Structural Transformation in Lower Middle-income Countries
<b>Timing and Duration</b>	April–September 2022 (six months)
<b>Hosting Country(ies)</b>	Not Applicable
<b>Modality</b>	Digital Multicountry
<b>Implementing Organization(s)</b>	APO Secretariat
<b>Participating Country(ies)</b>	Bangladesh, Cambodia, India, Indonesia, Lao PDR, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, and Vietnam
<b>Qualifications of National Experts</b>	Not Applicable
<b>Qualifications of Chief Expert</b>	Not Applicable
<b>Nomination of National Experts</b>	Not Applicable
<b>Closing Date for Nominations of National Experts</b>	Not Applicable

## 1. Objectives

- a. Analyze new sources of productivity growth which enable and lead effective structural transformation.
- b. Examine the driving factors for high-productivity industrialization in APO economies belonging to the lower middle-income country (LMIC) group.
- c. Provide policy recommendations to boost overall productivity performance, build up productive capacity, and strengthen economic resilience.

## 2. Background

The future of Asian economic growth lies with the group of emerging middle-income economies given their advantages of large populations and rapid development. The majority of APO economies are in this category of LMICs (World Bank, 2021). The key challenge for this group is to sustain their high growth rates while avoiding the risk of falling into the middle-income trap. LMICs must therefore continuously update and redraw their industrialization maps and development paths, tapping new and emerging drivers and sectors of high productivity growth. This is especially pertinent considering the recent experiences with the massive changes caused by the pandemic which have devastated many businesses while also enabling adaptive, innovative ones to survive and thrive.

Historically, the development sequence toward a higher economy is through structural change, i.e., diversifying and departing from traditionally low-productivity sectors by shifting labor and other resources to higher-productivity sectors. An efficient structural transformation that simultaneously generates productivity growth within sectors and shifts toward more productive sectors contributes to advancing economic growth in LMICs. This growth creates more and better-remunerated formal jobs, consequently enabling upward movement on the income ladder.

Empirical findings from the growth paths of countries that managed to avoid the middle-income trap demonstrate that the main engine of development at the lower middle-income stage is structural transformation processes underpinned by technological progress and industrial catching up. Their experiences suggest that capitalization of manufacturing has resulted in enhanced absorptive capacities, upgraded industrial capabilities, and changes in priority sectors of specialization. Similar structural change and effective industrialization would be expected to support APO LMICs in leapfrogging to higher-income ranks.

This study will examine the sources of productivity growth which could enable and lead effective structural transformation of APO LMICs. It will analyze new opportunities and challenges for structural transformation in light of the changes in the pandemic-influenced economic and business landscapes, identify new leading sectors and determinants of productivity growth, and suggest a set of policy recommendations to foster long-term productivity growth. The study will bring together research and policy advisory institutions with expertise in economic development and structural transformation to undertake collaborative research and draft policy recommendations.

## 3. Scope and Methodology

### Scope

- a. Economic structural transformation
- b. Industrialization process
- c. Industrial upgrading
- d. Economic resilience
- e. Labor productivity growth
- f. Productivity convergence
- g. LMICs

## **Methodology**

- a. Preliminary study: The APO Secretariat will identify partner research institutions and invite the submission of research proposals.
- b. Multistakeholder consultative meeting: To finalize the plan for the cross-country study, a meeting will be held virtually in April 2022. The indicative agenda items are:
  - Research overview
  - Proposals for the study by research partners
  - Discussion on implementation of the policy study
  - Finalization of the policy study plan
- c. Joint study implementation: A research team will be formed in partnership with other international organizations and/or research institutes. The research team will collect, process, and analyze data for the report. The penultimate draft of final reports with findings will be submitted to the APO Secretariat by the end of August 2022.
- d. Policy dialogue: The findings of the policy study will be presented to relevant stakeholders in member countries. The one-day session will be held in September 2022.

## **4. Tasks of the Research Institutions**

- a. Assisting and working with the APO Secretariat in developing the research framework.
- b. Finalizing the methodology and outline of the policy study report structure with the APO Secretariat.
- c. Collecting data for the research (including communicating with the original data owners) and analyzing them based on the agreed framework and methodology.
- d. Preparing the final report and submitting it to the APO Secretariat by the deadline.
- e. Supporting the APO Secretariat during the process of confirming the research findings with APO member countries.
- f. Providing support for dissemination of the research findings after report completion.

## **5. Qualifications of the Research Institutions**

The APO Secretariat will invite and select appropriate research institutions with the following qualifications:

- a. Extensive, specialized knowledge in structural change, labor productivity decomposition, and productivity measurement and analysis, with a track record of experience and publications in English in those fields.
- b. Experience in providing advisory services to governments.
- c. Excellent English writing skills.
- d. Strong commitment to undertaking and completing the research project within the given time frame.

## **6. Financial Arrangements**

### **To be met by the APO**

Honoraria for the research institutions to be paid upon completion of the final report.

**To be met by the research institutions**

All implementation costs incurred by the research institutions when conducting the study.

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

Dr. AKP Mochtan  
Secretary-General