



PROJECT NOTIFICATION

Ref. No.: 22-RC-21-GE-RES-B-PN2200029-001

Date of Issue	17 March 2022
Project Code	22-RC-21-GE-RES-B
Title	Policy Study on Productivity-enhancing Economic Structural Change in Upper Middle-income Countries
Timing and Duration	April–September 2022 (six months)
Hosting Country(ies)	Not Applicable
Modality	Digital Multicountry
Implementing Organization(s)	APO Secretariat
Participating Country(ies)	Fiji, IR Iran, Malaysia, Thailand, and Turkey
Qualifications of National Experts	Not Applicable
Qualifications of Chief Expert	Not Applicable
Nomination of National Experts	Not Applicable
Closing Date for Nominations of National Experts	Not Applicable

1. Objectives

- a. Analyze the trends of productivity growth in the APO's upper middle-income country (UMIC) group and identify new sources of high growth which result from structural economic transformation.
- b. Examine the key driving factors and technological capabilities to act as enablers in creating diversified, sophisticated economic structures for UMICs.
- c. Provide new insights and policy recommendations to enable the APO's UMICs to rebound from the impact of the COVID-19 pandemic and leapfrog to the high-income economy group.

2. Background

Economic development involves a complex process of changing economic structure and transferring resources from low- to higher-productivity activities. UMICs among APO members have made economic leaps and rapid economic structural changes to reach their current status. However, a big gap remains between the productivity performance of these UMICs and their high-income peers. The aspiration to join the high-income rank while minimizing the risk of falling into the middle-income trap necessitates that UMICs embark on transformative development paths by identifying new engines of growth replacing the traditional drivers of capital accumulation which have slowed down.

Cases of successful UMIC transition over the past decades revealed that countries that managed to transform their economic structures through diversification and economic complexity reached the high-income rank more quickly. Some of the key features in that transition included the emergence of new driving sectors, large-scale institutional changes, and industrial upgrading at firm level. The successful cases further suggested the imperative for sustaining the strengths of manufacturing, the "escalator" that brought about UMICs' rapid growth.

On the other hand, UMICs might be caught in the middle-income trap if the structural change process heads in the wrong direction. The weakening of manufacturing growth, in particular, might cause these countries to experience the premature deindustrialization phenomenon, i.e., failure to attain full productivity gains from industrialization. During the COVID-19 pandemic, which has caused far greater disruptions than any preceding pandemic, transforming economic structure, leveraging technological change, and enhancing productive capacities have become more urgent for UMICs to advance their growth and avoid the middle-income trap.

Growth to higher income levels will require active government participation. Despite high potential, many UMICs have yet to take off, indicating the need for appropriate government policy interventions. This policy study aims at supporting the APO's UMIC members to leapfrog and achieve high-income rank through policy recommendations to be drawn from a collaborative study by research and policy advisory institutions. The study will examine prospects for change to more diversified, sophisticated structures with emphasis on generating new sources of productivity growth, enabling UMICs to rebound from the impact of the COVID-19 pandemic and advance toward the high-income rank.

3. Scope and Methodology

Scope

- a. Economic structural change
- b. Diversified and productive economic structures
- c. Industrial upgrading
- d. Economic resilience
- e. Labor productivity growth
- f. Middle-income trap avoidance
- g. Premature deindustrialization avoidance

- h. UMICs

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 upwards and to the right.

Dr. AKP Mochtan
Secretary-General