Introduction to EQuIP
Enhancing the Quality of Industrial Policy

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Outline: EQuIP in 30 minutes

• Justification

• The EQuIP approach

• The new tools
Justification
It is no longer a question of **whether** to have industrial policy...

...but rather **how** they should be designed and implemented most effectively.
Common challenges in industrial policy design

- Policy documents “falling from the sky” → reliance on external consultants.
- Lack of strategic focus on objectives.
- Decisions are rarely based on evidence.
Common problem 1/2

• Reliance on externals results in higher likelihood of policies not being implemented.

• ‘Perfect’-looking, high-gloss industrial policies, however:
  • Naturally, less consideration of national context.
  • Tendency to include policy instruments used by other countries even before analysis.
  • No/little consideration of available budget.
  • Underlying logic may not be well explained to government.
  • Often weak coherence and alignment with other policies.
Common problem 2/2

• Lack of adequate quantitative analysis often leads to:
  • Objective of industrial policy being implicitly assumed.
  • Starting with desired policy instruments.
  • Including too much of everything.
  • Possible contradictions of IP objectives, and with other development priorities.
The EQuIP Approach
www.equip-project.org
EQuIP Objectives

• Improve government capacities to analyze industrial performance, strategically design IP and monitor progress.

• By means of tailor-made and strategic capacity building activities.

✓ Review existing policies.
✓ Design new policies.
✓ Monitoring and evaluation of policies.
✓ Have a larger say in engagements with development partners.
A new approach to IP design

<table>
<thead>
<tr>
<th>Traditional approach</th>
<th>EQuIP approach</th>
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<tr>
<td>1. International expert takes the lead</td>
<td>1. Building local capacities for industrial policy design</td>
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<td>2. IP objectives are assumed (e.g. Growth, competitiveness)</td>
<td>2. Acknowledge multi-dimensional nature of development and role of IP</td>
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<td>3. Decision on policy instruments prior to analysis and target-setting</td>
<td>3. Strategic selection and design of instruments based on analysis and set targets</td>
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<td>4. Limited implementation</td>
<td>4. Full agency over realistic and implementable policy</td>
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Data

• For all EQuIP tools the data should
  • Be freely available
  • Have good cross-country coverage
  • Be comparable

• Generalisability: results hold irrespective of a particular data set

• The proposed concepts may however also be suited to a more specific question to which you may wish to apply your own data.
Resulting policy

Effective Industrial Policy

- Goal-oriented (think strategic)
- Implementable (plan feasibly)
- Evidence-based (be informed)
- Coherent (enforce dev. plans)
- Self-determined (take control)
- Inclusive and sustainable
Methodology: from analysis to policy design

EQuIP 1
EQUIP ANALYTICAL TOOLBOX
Provides evidence as foundation for priority setting

EQuIP 2
EQUIP POLICY DESIGN TOOL
Structures process to assess and select industrial policy instruments
The EQUIP toolbox

- **Economic Performance**
  - Tool 1: Industrial capacity and growth, domestic and export dimensions
  - Tool 2: Sub-sector competitive performance
  - Tool 3: Industrial and Export Upgrading
  - Tool 4: Diversification domestic and export dimensions
  - Tool 7: Global Value Chains

- **Social Performance**
  - Tool 5: Industrial Employment and Poverty Alleviation

- **Environmental Performance**
  - Tool 6: Greening Industry
    - Energy Efficiency Module
    - Material Efficiency Module

- **Drivers of Performance**
  - Tool 9: Industrial capabilities indicators
  - Tool 8: Industrial Organisation and Firm Profiling at Sub-sector Level
EQUIP Analytical Toolbox (EQuIP 1)

• A quantitative methodology based on benchmarking.

• Follows a ‘positive’ approach:
  • Fact- and evidence/based
  • Cannot be approved or disapproved
  • Stands in contrast to ‘normative’ view

• It does not
  • Advocate any strategic decision
  • Provide advisory services
  • Offer quick makeshift solutions
  • Depend on the trainers
EQUIP Policy Design Tool (EQuIIP 2)

1. Locate IP in the national development goals
2. Define IP objectives and develop IP vision
3. Define & prioritize specific IP intervention areas
4. Design most suitable policy instruments
5. Evaluate current IP package
6. Construct new IP package
EQuIP engagements so far

• EQuIP has been deployed in many countries globally:
  • Cambodia
  • Vietnam
  • Ukraine
  • Myanmar
  • EAC
  • SADC
  • Oman
  • Saudi Arabia
  • Republic of Korea
The new EQuIP tools
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**Drivers of Performance**
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GMIS | Global Manufacturing & Industrialisation Summit
Sustainable Development Goals
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  - Tool 9: Industrial capabilities indicators
Gender equality

• Provides indicators to help understand female participation in manufacturing.
  • What are the characteristics of female participation in manufacturing at present (as opposed to male)?
  • What do we know about the wages, quality, concentration and type of employment of women in manufacturing?
  • How are women affected by the different dimensions of structural transformation?
  • What are the key determinants of female participation in manufacturing?
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- **Drivers of Performance**
  - Tool 8: Industrial Organisation and Firm Profiling at Sub-sector Level
  - Tool 9: Industrial capabilities indicators

**Gender equity tool**
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- Strategy-setting Document

- Drivers of Performance
  - Tool 9: Industrial capabilities indicators

- Gender equity tool

- Environment Performance
  - Tool 6: Greening Industry
    - Energy Efficiency Module
    - Material Efficiency Module

- Climate change tool
  - Tool 8: Industrial Organisation and Firm Profiling at Sub-sector Level
Climate change

• Presents indicators and analysis to assess a country’s vulnerability to climate change and greenhouse gas emission focusing on the manufacturing sector.
  • How exposed is a country to the impact of changes in the climate?
  • How big is the need for adaptation?
  • How do CO2 emission levels (of countries and resp. industries) compare in a cross-country/-industry analysis.
  • Has the manufacturing sector achieved economic decoupling?
  • How can the growth of industrial CO2 emissions be decomposed?
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- **Gender Equity Tool**
  - **Industry 4.0 and Productivity Tool**
Industry 4.0 and Productivity

• What is the effect of new technologies on manufacturing?
  • What do we mean by industry 4.0 and new technology?
  • To what degree is a country integrated in the adoption of new technologies?
  • Are jobs at risk of being replaced by new technology?
  • Will new technology inevitably lead to jobless growth?

• More on this later today!
Wrapping up: EQuIP in general

• The EQuIP toolbox should be viewed as one possible means of analysis.

• It is part of UNIDO’s training toolkit; but not the only one.

• It does not provide nor advocate for a ‘one-size-fits-all’ solution.

• Analysts and policy makers are encouraged to use and adapt the concepts to their (own) data and specific question.

• For a comprehensive understanding of manufacturing, the combination of concepts and ideas from different tools (e.g. on prerequisites or climate change) is highly encouraged.
Wrapping up: EQuIP in general

• Today has only scratched the surface. If you decide to take part in a training on this tool you will
  • Learn how and where to download the relevant data
  • Learn to calculate the relevant indicators (Excel)
  • Learn how to interpret the results and create benchmarks
  • Learn how to connect different concepts of your interest
Thank you for your attention

www.equip-project.org

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