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„Industrialization of the Kyrgyz Republic
Through the Programme for Country Partnership
by the United Nations Industrial Development Organization:
An Innovative Approach to Sustainable Development
or a Lock-in Development Pattern?“

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Abstract English

An idea that development is facilitated through industrialization is not novel. Over the last decades, industrialization has received a pivotal role in the poverty eradication mission and is often perceived as development itself. However, foreign aid provided to developing countries in the name of industrialization (both as technological transfer and policy advice) still remains a highly ambivalent phenomenon. It is not always clear, who is benefiting the most from industrialization – aid recipients or aid providers. In this regard, the current research aims to study an ‘innovative’ model for inclusive and sustainable industrial development of the Kyrgyz Republic – the Programme for Country Partnership (PCP), invented by the United Nations Industrial Development Organization (UNIDO). The study carefully analyses objectives, priority areas and bottlenecks of two main development programmes of the Kyrgyz Republic and makes their comparative analysis with the PCP key components. By doing so, the study identifies that the PCP is more a lock-in development pattern, than an innovative approach to sustainable development. At the same time, the study recognizes industrialization as a necessary prerequisite for national development and provides recommendations for future industrial strategy planning of the Kyrgyz Republic. The study concludes that industrialization should be considered not as the only means of development, but as a part of a broader development process and only as one of the development pillars.

Abstrakt Deutsch

Das Idee, dass Entwicklung durch Industrialisierung erleichtert wird, ist nicht neu. In den letzten Jahrzehnten hat die Industrialisierung eine wichtige Rolle im Auftrag der Armutsauslöschung gespielt und wird häufig als Synonym für Entwicklung wahrgenommen. Die Auslandshilfe für Entwicklungsländer im Namen der Industrialisierung (sowohl als Technologietransfer als auch als Strategieberatung) bleibt jedoch als äußerst ambivalentes Phänomen. Es ist nicht immer klar, wer am meisten von der Industrialisierung profitiert - Hilfsempfänger oder Hilfsanbieter. In diesem Zusammenhang ist das Ziel der vorliegenden Arbeit, ein „innovatives“ Modell für eine inklusive und nachhaltige industrielle Entwicklung der Kirgisischen Republik zu untersuchen - das Programm für Länderpartnerschaft (abgekürzt PCP), eine Erfindung der Organisation der Vereinten Nationen für industrielle Entwicklung (UNIDO). Die Studie analysiert sorgfältig die Ziele, Prioritätsbereiche und Engpässe von zwei Hauptentwicklungsprogrammen der Kirgisischen Republik und führt eine komparativen Leistungsanalyse mit den PCP-Schlüsselkomponenten durch. Dabei konnte festgestellt werden, dass das PCP eher eine enge Entwicklungsdynamik statt eines innovativen Ansatzes für nachhaltige Entwicklung ist. Gleichzeitig erkennt die Studie die Industrialisierung als notwendige Voraussetzung für nationale Entwicklung an und bietet Empfehlungen für die künftige Planung der Industriestrategie der Kirgisischen Republik an. Die Studie gelangt zu dem Schluss, dass die Industrialisierung nicht als einziges Entwicklungsmittel betrachtet werden sollte, sondern als Teil eines umfassenderen Entwicklungsprozesses und nur als eine der Hauptsäulen der Entwicklung.

1. INTRODUCTION

"We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history, humanity possesses the knowledge and skill to relieve suffering of these people... The material resources which we can afford to use for assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible."

Inaugural Address of Harry S. Truman on 20 January 1949¹

1.1. Context

It has been over 70 years, since the world has heard the famous Truman's speech. And the world is still split into rich and poor, and, in other words, *"viewed through the lens of human development, the global village appears deeply divided between the streets of the haves and those of the have-nots"*.² Indeed, current discrepancies in life expectancy, levels of nutrition, health and education, environmental situation and other factors of human development are striking and disturbing. According to a report of the Food and Agriculture Organization of the United Nations (FAO) on the state of food security and nutrition in the world in 2019, almost

¹ American Rhetoric Online Speech Bank. (n.d.). Harry S. Truman Inaugural Address [2020-03-15].

² UNDP. 2006. Human Development Report [2020-03-10].

821 million people in developing countries do not have access to enough food.³ Meanwhile, in the developed industrialized regions, over 650 million people are suffering from obesity and these numbers are rapidly increasing.

Moreover, according to the World Social Report 2020 of the UN Department of Economic and Social Affairs (DESA), income inequality has recently increased for about 70% of the population worldwide.⁴ Countries' inequality in income is one of the most significant economic phenomena nowadays, since it affects not only quality of life in the nation state, but predetermines its international relations and influences the environmental situation in the region. However, despite all the economic difficulties experienced by nations nowadays, they are still enjoying much better life standards than, for instance, a century before. As David Wile emphasizes, *"the fact that so many countries have emerged from poverty – from the United States starting in early 19th century to South Korea starting in the 1950s – is a hopeful sign for the billions of people who remain needy."*⁵

But what were the factors and catalyzers of the economic growth of these states? What instruments were used to gain higher economic performance? Or, speaking more precisely, is it possible to define specific policies implemented in those states? As argued in the Oxford Handbook of Africa and Economics, *"modern economic growth is by definition a process of continuous technological innovation, industrial upgrading and economic diversification. No country in the world has been able to move from low- to middle- and high-income status without undergoing the process of industrialization... Inclusive and sustainable industrial development is the dynamics that offers guiding principles on how 'best' any society should move its human, capital and financial resources from low- to high-productivity sectors [...] Inclusive and sustainable industrial policy is necessary for the process to unfold optimally."*⁶

³ UN Food and Agriculture Organisation. 2018. Socio-economic Context and Role of Agriculture [2020-03-19].

⁴ DESA. 2020. World Social Report, p. 26 [2020-04-01].

⁵ Wile, D. 2016. Economic Growth: International Edition. Routledge Press, p. 23.

⁶ Stiglitz, J., Yifu, J., Monga, C. 2013. The Rejuvenation of Industrial Policy. Policy Research Working Paper, Washington, DC: World Bank, p. 324.

Indeed, industrialization brings positive shifts in social development indicators, such as the Global Multidimensional Poverty Index (MPI) or the Human Development Index (HDI). Moreover, nowadays the global community is entering a new era of the Fourth Industrial Revolution (Industry 4.0.). A turn to new technologies (such as digitalization or robotization), emergence of new manufacturing and production activities are gradually changing existing value chains, and bringing more opportunities in the developed economies. However, for the developing economies, which recently started the process of “catching up” with the Western nations, a new spiral of industrialization and a shift to the innovation and digitalization may lead to a decrease of jobs due to automatization of labor.

Furthermore, the technological progress often brings environmental consequences, such as increased CO₂ emissions, water pollution, waste crisis, depletion of natural resources etc. Ironically, these consequences are mostly experienced by the developing countries, under the slogan of boosted economic growth and sustainable development. In addition, quite often industrial development is spread unevenly among various sub-sectors of a nation state, depending on a government’s (and in some cases egalitarian) priorities. Hence, some industrial policies of a nation state obtain an unofficial and non-transparent character. In addition, a pace of the industrial development of a country is correlated with its geographical position and historical implications.

1.1.1. UNIDO and the 2030 Agenda for Sustainable Development

Therefore, there is a growing necessity in taking a fresh look on the industrial development, revising industrial policies and programmes and offering new instruments for their implementation. On 22 January 2020 the world has entered the Decade of Action, the last decade of the 2030 Agenda for Sustainable Development. National governments, international organizations, various NGOs, private sectors and public associations, academia and other actors actively involved in the programming and decision-making process within development are now evaluating the progress done to achieve the 17 Sustainable Development Goals (SDGs) and designing actions required to take, in order to fulfill this global commitment.

In this regard, one of the UN specialized agencies – the United Nations Industrial Development Organization (UNIDO) – puts its emphasis on industrialization as a mean enabling to achieve all SDGs, and particularly SDG-9, which calls to *“build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”*. The Lima Declaration on Industrial Development and Cooperation adopted at the 15th Session of the UNIDO’s General Conference in Lima, Peru, in December 2013 proclaims that *“poverty eradication remains the central imperative. This can only be achieved through strong, inclusive, sustainable and resilient economic and industrial growth, and the effective integration of the economic, social and environmental dimensions of sustainable development.”*⁷

On this basis, UNIDO actively promotes a concept of inclusive and sustainable industrial development (ISID) that lies at the core of the Organization’s mandate and implies that:⁸

- *Every country achieves a higher level of industrialization in their economies, and benefits from the globalization of markets for industrial goods and services;*
- *No one is left behind in benefiting from industrial growth, and prosperity is shared among women and men in all countries;*
- *Broader economic and social growth is supported within an environmentally sustainable framework;*
- *The unique knowledge and resources of all relevant development actors are combined to maximize the development impact of ISID.*

The latter principle of ISID is gaining nowadays more and more relevance. Due to a little systematic approach in mapping priorities and objectives of various actors providing aid to beneficiary countries, activities within the global development assistance are often duplicating themselves or, on the contrary, are insufficient. Consequently, drawing on the growing criticism that programmes of international organizations on industrial development in the beneficiary countries are often not coordinated and repeating

⁷ UNIDO General Conference. 2014. Lima Declaration towards Inclusive and Sustainable Industrial Development, p. 1 [2020-03-01].

⁸ UNIDO Brochure. 2014. Inclusive and Sustainable Industrial Development, p. 10 [2020-03-25].

themselves, in 2014 UNIDO presented a new comprehensive programmatic approach to ISID – the Programme for Country Partnership (PCP).

1.1.2. The Programme for Country Partnership (PCP)

*As stated on the UNIDO's web-site, "the PCP is UNIDO's innovative model for accelerating inclusive and sustainable industrial development in Member States. Aligned with the national development agenda and focused on sectors with high growth potential, the programme supports a country in achieving its industrial development goals. The PCP rests on a multi-stakeholder partnership led by the host government. It builds synergies with ongoing government and partner interventions relevant to industrial development."*⁹

1.1.3. The PCP in theory

As claimed by UNIDO, "innovativeness" of the Programme is rooted in the active participation of a beneficiary government and engagement of the public-private partnerships (PPP). Thus, the Programme is aimed to attract financial resources not only via official development assistance and public sector's support, but also relies on investments from the business sector. Each PCP entails four stages:

- I. Initiation;
- II. Programming;
- III. Implementation;
- IV. Completion.

⁹ UNIDO. (n.d.). Programme for Country Partnership [2020-03-01].

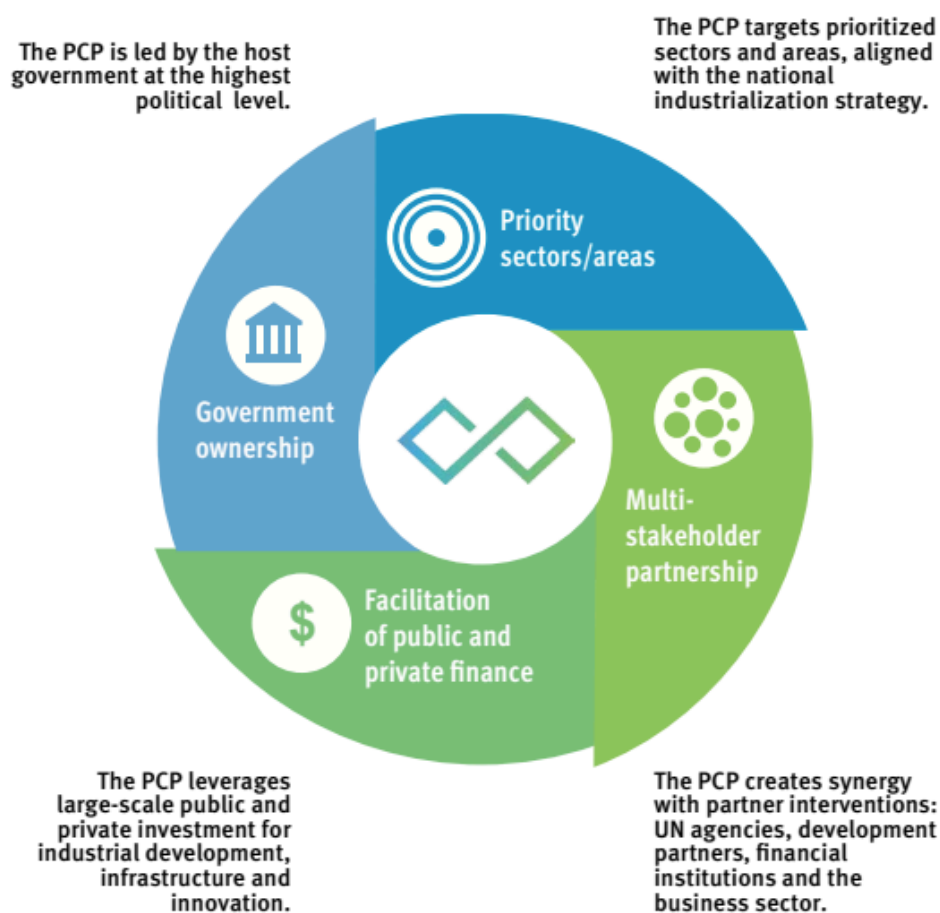


Figure 1: Key features of the PCP.¹⁰

Most importantly, the initiation of the PCP is done only upon an official request of a government willing to introduce the Programme in the country (a host government). The request should be addressed to UNIDO Director General, LI Yong, and signed by a head of the state (in most cases, a President or a Prime Minister of the country). By doing so, the host government is showing its interest and ownership in the following stages of the Programme.

The programming stage is tailor-made for each country individually and corresponds to its industrial development priorities, that are specified in a national development

¹⁰ Source: UNIDO. (n.d.). Programme for Country Partnership. Retrieved from: https://www.unido.org/sites/default/files/files/2017-11/PCP_24.11.17.pdf [2020-03-01].

strategy. In addition, in order to kick off the programming stage, UNIDO experts conduct a country diagnostic study, that helps to analyze the current situation, strategic advantages and obstacles of the country on the way to a higher level of industrialization.

Only after the country's diagnostic is conducted, UNIDO presents its results to the responsible authorities in the host government (usually, a Ministry of Industry or a dedicated State Committee) and, in close consultation with them, indicates priority areas and starts the development of the Programme, whereas each priority area contains several projects on related topics. In addition, in order to guarantee the government's ownership, the host country is supposed to create a PCP National Coordination Body that will carry a supervising function during the implementation stage of the PCP.

During the PCP implementation phase, advisory services and technical assistance of development partners are provided to a PCP country on a project basis and under UNIDO's supervision. Additionally, the National Coordination Body monitors the activities undertaken by all partners engaged in the Programme, as well as provides advice and acts as a mediator in creating better synergies between partners from public and private sector.

Within the completion phase of the PCP, UNIDO together with the country's government and development partners, are expected to jointly evaluate the results of the Programme, define success stories and bottlenecks, and make a decision on the future destiny of the Programme. Since none of the current PCPs has not be completed yet, in theory, there are the following scenarios for the Programme's completion:¹¹

- ⇒ *Extension of the current PCP with existing priority sectors;*
- ⇒ *Re-focus of the PCP towards new industrial sectors or geographical locations;*
- ⇒ *Conclusion of the PCP and integration of its most valuable structures into national entities.*

¹¹ UNIDO. 2020. Industrialization as the Driver of Sustained Prosperity, p. 164 [2020-03-01].

Currently, the PCPs are being implemented in Ethiopia, Morocco, Peru and Senegal. Despite the fact that none of the existing PCPs has reached the completion phase, as well as the final evaluation, UNIDO believes and actively promotes the idea that the PCP is able to contribute to enhanced economic growth and poverty reduction in the beneficiary countries via improved investment climate for domestic and foreign direct investments. However, as the world's history showcases, some development programmes do not only promote long-term priorities of the developing countries, but also facilitate short-term political priorities of donors of these programmes. Therefore, it is crucial to differentiate promises of development programmes from their actual results.

1.1.4. The PCP in praxis

The PCP has rolled out to all geographical regions of the globe. To date, in addition to five Programmes in the implementation phases, two more PCPs – for Cambodia and Kyrgyzstan – are being in the programming phase. In addition, early programming of the PCPs is being done for Côte d'Ivoire, Egypt, Rwanda and Zambia. Going forward, UNIDO is planning to gradually expand the Programme to other Member States.

The procession of the PCPs started with Senegal. In the beginning of 2014, the Government of Senegal requested UNIDO's assistance in implementation of the Programme. In November 2014, the PCP Senegal was presented as a unique model of inclusive and sustainable industrial development on the margins of the Second ISID Forum in Vienna. The Programme was positively acknowledged by the UN Secretary General Ban Ki-moon and other high-level participants of the meeting (such as the Prime Minister of Ethiopia) and representatives of potential partners of the Programme (such as the World Bank). Consequently, in April 2015, following several diagnostic missions, Senegal became the first pilot country to sign the Programme.

The official launch of the Programme was chaired by the Prime Minister of the country. The PCP Senegal concentrated on five priority areas:¹²

- 1) *Industrial policy development;*
- 2) *Establishment of agro-poles;*
- 3) *Operationalization of a new generation of integrated industrial parks;*
- 4) *Development of a regional mining hub;*
- 5) *Special economic zones and investment package reform.*



Image 1: Prime Ministers of Ethiopia and Senegal and the Secretary-General of the United Nations hosted by the Director General of UNIDO at the Second ISID Forum, November 2014.¹³

¹² UNIDO. 2017. Programme for Country Partnership for Senegal [2020-04-01].

¹³ Source: UNIDO. 2015. Programme for Country Partnership for Senegal. Retrieved from: <https://www.unido.org/sites/default/files/files/2018-08/PCP%20Senegal%202015%20Progress%20Report.pdf> [2020-04-18].

The PCP Senegal was designed for 5 years, from February 2015 till December 2020, and received financing in the amount of USD 927.093,00¹⁴, whereas USD 92,595¹⁵ was allocated by the country itself, in order to prove its strong ownership and interest in the Programme.¹⁶ A range of project proposals, such as establishment of agro-poles and industrial parks, trade facilitation and energy efficiency, were developed and submitted for consideration of large donors (including the Governments of China, Japan, Korea and Switzerland). Nonetheless, by now, significant results were achieved only in the construction of the Diamniadio Industrial Park¹⁷, while potential of other priority areas has not been unlocked, mostly due to a lack of political will and incapability of local industry to absorb new technologies. The latest report on the PCP Senegal available on the UNIDO's web-site covers the year 2017.

Therefore, it might be possible to argue that the "innovative" PCP model is facing issues that are non-innovative in their nature. Hence, the current study questions the argument that *"institutions capable of designing, implementing and monitoring industrial development policies that promote and encourage private sector development are key for effectively bringing about the structural changes that lie at the core of ISID."*¹⁸

Against this backdrop, as argued by Dutta, Thaker and Sun, *"neoliberalism, as a global political and economic framework of organizing, works through the hegemonic role of experts in producing knowledge and in developing programs and policies on the basis of the instruments of data gathering, implementation, and evaluation, simultaneously deploying participatory tools to secure community buy-in into top-down programs of social change serving the agendas of transnational capitalism."*¹⁹ Thus, the present research reviews the idea that underdevelopment is often generated by the concept of

¹⁴ UNIDO Open Data Platform. (n.d.). Programme for Country Partnership in Senegal [2020-04-17].

¹⁵ Ibid. [2020-04-17].

¹⁶ This condition was dictated by UNIDO, since the Organization has faced a lot of cases, when it was approached by a beneficiary country with a request for technical assistance and industrial policy advice. In response, UNIDO funded several missions of experts to the country, in order to conduct diagnostic and to investigate areas for potential projects, that were never further considered by the beneficiary.

¹⁷ UNIDO. 2018. Senegal's New Industrial Park Open for Business [2020-04-16].

¹⁸ UNIDO. 2014. Inclusive and Sustainable Industrial Development, p. 7 [2020-03-25].

¹⁹ Dutta, M., Thaker, J., Sun, K. 2008. Neoliberalism, Neocolonialism, and Communication for Social Change: a Culture-centered Agenda for the Social Sciences. National University of Singapore, p. 2.

development, while certain development policies continue the neoliberal agenda and contribute to the persistence of existing inequalities and the creation of new ones.

1.1.5. UNIDO and the neoliberal agenda

As the world's history demonstrates, present underdevelopment of some nation states is a product of economic, social and ecological relations between these states and their more developed aid providers, as a continuation of the center-periphery relations, described by Immanuel Wallerstein.²⁰ Hence, the established practices of the development aid from the center to the periphery often serve as an instrument of neoliberal suppression and exploitation of resources in the aid recipient country by foreign public authorities and business corporations (as, for example, by mining companies in Chile or Brazil).²¹

In view of this, it is noteworthy to trace the milestones of UNIDO's history. Established in 1966 in Vienna, Austria, as a specialized agency of the United Nations, UNIDO was conducting international technical cooperation activities in developing countries and thus contributing to the New International Economic Order (NIEO). Upon the end of the Cold War in the early 1990s and the rise of the Washington Consensus that criticized the leading role of industrial policies in the national economic growth, UNIDO's largest Member States and donors – Australia, Canada and the United States – left the Organization, aiming to attain more support for their activities in the area of industrial development from the private sector.²² Such a massive outflow of the crucial development actors caused a large crisis of the Organization and led to a substantive revision of its mandate and services.

²⁰ Wallerstein, I. 2011. *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. University of California Press.

²¹ Singh, J.L., 2012. *Who Owns the Minerals? Repoliticizing Neoliberal Governance in Brazil and Chile*. Journal of Developing Societies. Leiden University.

²² Browne, S. 2012. *United Nations Industrial Development Organization: Industrial Solutions for a Sustainable Future* (Global Institutions). Routledge.

Nowadays, when it became obvious that the Washington Consensus has failed to spur sustainable economic growth of nation states, UNIDO, as many other international organizations, still recognizes the emerging role of the private sector (not only multinational corporations, but also small- and medium-sized enterprises) in the achievement of the 2030 Agenda. Merging UNIDO's diagnostic and policy-making with technical expertise and technological innovations of its business partners allows to realize ISID mandate more effectively. Carlsberg Group, Chevron, Festo Didactic, HP Inc., Komatsu, METRO Group, Microsoft, Philips, Samsung, Scania, Strata, Volvo Group and other large representatives of various industry sectors closely collaborate with UNIDO with an aim to create new jobs, attract foreign direct investments, increase competitiveness and ensure access to markets for a wide range of developing countries in all regions.²³

From the other hand, there is no regulation under which business partners of UNIDO can provide the development assistance individually. That implies that the provision of aid from the industrial corporation (i.g. via equipment supply, technology transfer or capacity building) in any beneficiary country is regulated by the cooperation framework between UNIDO and a Member State, where the corporation is coming from (for example, China, Finland, Germany, Italy, Japan, Russia, Switzerland, etc.). In this case, a Member State acts as a donor of a project (or a programme consisting of a range of projects) in a beneficiary country.

Therefore, it is possible to argue that interventions of UNIDO (as well as many other NGOs) in developing countries are strongly aligned with geographic, political and economic priorities of donor countries, which enhances their geopolitical influence in the region and in some cases extends the neo-colonial power of former monopolies over former colonies. Thus, Russia is actively supporting projects in Armenia and Tajikistan (in the area of light industry); the United States – in Mexico and Argentina (in the area of energy efficiency); France – in Guinea and Tunisia (in the area of environment), while China is engaging as a donor in a range of global projects (on South-South cooperation, the Belt and Road initiative, energy saving, mercury

²³ UNIDO. (n.d.). UNIDO Business Partnerships in Action [2020-05-14].

emissions and others), in addition to its donorship of the PCP Senegal and the PCP Ethiopia.

At the same time, even if donor countries do not have neo-colonial ambitions and are not guided by neoliberal agenda, their interventions are mostly aimed at solving current problems in a beneficiary country, rather than addressing issues that are causing these problems. Moreover, amount and consistency of activities within projects in beneficiary countries strongly depend on donors' priorities and available funds that can be sporadically shifted to other regions or simply wrapped up. In addition, since most of the organizations of the UN family are hiring experts and consultants on a project basis, they are interested to meet donors' expectations and receive funding from them, in order to secure payments for staff and thus to keep the development machine going. That is why the current research expresses concern that development is not only happening through industry, but *becoming* an industry itself. Ironically, industrial terminology is even used in project programming and evaluation, such as "objectives", "outputs", "action plans" or "key performance indicators" (KPIs). As noted by Thomas W. Dichter, "*one of the deep dreams of the development industry, all its other agendas notwithstanding, is to hear the steady thrum of a well-oiled machine.*"²⁴

Therefore, it is important to differentiate, whose purposes industrialization serves. And although UNIDO claims to be a neutral development "broker" that moderates discussions and facilitates cooperation among aid recipients and providers, it would be appropriate to examine the nature and purpose of knowledge and expertise produced by the Organization that is designed and further translated in industrial policies and development programmes for beneficiary countries.

²⁴ Dichter, T. 2003. *Despite Good Intentions: Why Development Assistance to the Third World Has Failed*, University of Massachusetts Press, p. 290.

1.2. Research focus

Taking into account the modern debates among policymakers and scholars in the area of international development, mentioned earlier in this chapter, the current research investigates, whether “industrialization” is gradually becoming a buzzword that stands in one range with other ‘fashionable’ development words (such as “structural adjustment” or “poverty eradication”) and significantly influencing national policies in the name of neoliberal agenda. In particular, the current research addresses the following questions:

- ✎ Is the PCP Kyrgyzstan an innovative approach to sustainable development or a lock-in development pattern?
- ✎ Is industrialization being a necessary prerequisite for sustainable development of the country?

The case of the PCP Kyrgyzstan is especially interesting, since it created a precedent in the national history when an international organization has developed for a beneficiary country a national strategy for industrial development (the Strategy for Industrial Development of the Kyrgyz Republic 2019-2023), that will serve as a basis for the implementation of the PCP. The Programme is currently being in the programming phase. It is planned to launch the Programme in June 2020 for the period of 4,5 years – from 2020 to 2024.²⁵

The current study attempts to make a prognosis on the possible outcomes of the PCP in the Kyrgyz Republic (hereinafter referred to as the PCP Kyrgyzstan), by analyzing major development strategies of Kyrgyzstan and identifying not only crucial components, but also bottlenecks and policy gaps for development (often not sited in the strategies for a range of political reasons). By doing so, the study strives to ascertain, whether the PCP will be able to close these gaps, and indeed provide inclusive and sustainable solutions to Kyrgyzstan’s development.

²⁵ UNIDO. (n.d.). Programme for Country Partnership Kyrgyzstan [2020-05-14].

1.3. Relevance of the research

Essentially, most of nation states are constantly striving to increase their wealth, to generate higher levels of income, to achieve bigger participation in the international politics and trade and, most importantly, to sustain and prolong their economic success. In this regard, foreign aid provided to developing countries in the area of industrialization and industrial policymaking, based on the example of economically advanced countries of the West, may create a shortcut to technological transfer and economic boost without the necessity to "re-invent the wheel".

From the other hand, foreign aid along with policy advice to developing countries often promotes geopolitical interests of aid providers, blocks local scientific and innovative capacities and thus creates dependency of aid receivers. Furthermore, donors' assistance tackles immediate problems of the beneficiary states but in most cases ignores the issues causing it. The volatility in priorities and budgets designated for the industrial development assistance, or inappropriateness of the provided aid, neglect the idea of sustainable development at its core.

As argued by Gilbert Rist, *"it may well appear surprising that, sixty years after the international community officially set its sights on extending 'development' to the South, this has still not come to pass. If a politician makes too many demagogic promises, he ends up a failure in the eyes of his electorate. And if a researcher persists too long with experiments that show no result, he is eventually dismissed by his employer. But nothing of the kind happens in the field of 'development': promises are tirelessly repeated and experiments constantly reproduced."*²⁶ Therefore, it is of great importance to differentiate new frameworks for action from orthodox capitalized development models served under the sustainability sauce.

Moreover, according to Koehler, *"at the policy level, the development agenda is becoming more and more ,pointillist'. It touches all the bases and conveys an image of all the areas that need to be addressed, but it touches them precisely without*

²⁶ Rist, G. 2008. The History of Development. From Western Origins to Global Faith. Zed Books Press, p.23.

connecting them. Synergies that would be required for policy to be holistic, and effective, are not made out. The question of how-by which policies-'sustainable development' would be achieved has remained outside the perimeters of the discourse."²⁷ This suggestion is affirmed by Dannecker, who emphasizes that *"it is not specified by which policies 'sustainable development' should be achieved and, hence, present power structures are difficult to overcome without guidance. The lack of guidance goes hand in hand with the lack of political will."*²⁸ Clearly, there are new dynamics and approaches needed to industrial policies worldwide.

In this context, the present study strives to contribute to the global practical debate on purposes, implementation challenges, outcomes and actual beneficiaries of industrial programmes on the example of the PCP. Beyond this, the current research addresses a broader theoretical question on how to mitigate consequences of the Washington Consensus in the policymaking, as well as to avoid the principle of development in the name of development and hence to harness the full potential of people, instead of industry.

2. THEORETICAL FRAMEWORK

The idea behind the PCP that development is gained through industrialization and technological progress is not new. In the previous decades, significant success was achieved in poverty eradication and job creation through industrialization. It has received a pivotal role in the development process and, as Wallerstein emphasizes, the term "industrialized" is *"usually taken as a synonym or indicator of development"*.²⁹

²⁷ Koehler, G. 2015. Seven Decades of 'Development', and Now What?: The SDGs and Transformational Change. In: Journal of International Development 27, p. 745.

²⁸ Dannecker, P. 2017. The Sustainable Development Goals: A New Space for Action? In: Al-Ekabi, C., Ferretti, S. (Ed.): Yearbook on Space Policy 2016 "Space for Sustainable Development", Springer, p 10.

²⁹ Wallerstein, I. 1988. Structural Dependence of the State on Capital. Cambridge University Press, p. 14.

Moreover, Stiglitz, Lin and Monga note that “*structural transformation is always taking place because of changes in technology, in comparative advantage, and in the global economy.*”³⁰ This assumption can be supported by the facts that levels of industrialization and innovation are usually correlating with a level of the economic development of a country and that in developing states the economic boost mostly happens when the technological gap between them and the economically developed countries are closing.

Hence, it would be possible to argue that one of the main features distinguishing developed and underdeveloped countries is a level of industrialization and technologies available, whereas developed countries are generating new technologies and industrial policies connected with them, while underdeveloped countries are being recipients of the industrial and policy-making aid. But what can be considered as an industrial policy? How and under which circumstances are industrial policies designed and implemented? On which fundamental economic theories are they built? Is there a hope for a global consensus on industrial policies or the field of industrial policies remains a battle field of various approaches?

Therefore, a brief historical overview and examination of the development process – with a special focus on industrial policies worldwide – is useful to grasp the historical preconditions of industrial policies, their evolution, milestones and lessons learned.

2.1. Industrialization ladder

Starting from the dawn of industrialization in 18th century that occurred in Western Europe, and mostly in Britain, different nation states have been experiencing various forms of industrialization and implementing numerous industrial policies. Despite all

³⁰ Stiglitz, J., Yifu, J., Monga, C. 2013. The Rejuvenation of Industrial Policy. Policy Research Working Paper, Washington, DC: World Bank, p. 10.

the differences in political order, economic situation and a current level of the human capital in countries, industrialization has been always a corner stone of their economic transformation. UNIDO's Director General, LI Yong, is an active proponent of this idea. *"Industrial development is an inevitable process. For any country to move up from low levels of development – and high levels of poverty – to an advanced level of development, they need industrial development"*, he claims.³¹

Notably, LI Yong is describing a shift in development as the movement 'up', that correlates to the main idea behind the modernization theory. Indeed, the idea of modernization as a necessary prerequisite for development lies in the core of the international aid, wherein industrialization is a tool of modernization. Based on the European evolutionary theory, the notion of modernization implies a linear, homogenizing process that follows the Northern development patterns. Consequently, most of the development programmes presuppose that, since economically successful countries in North America and Western Europe gained high levels of GDP through industrialization, developing countries should now follow this recipe.

The UNIDO's publication titled "Industrialization as the Driver of Sustained Prosperity" calls a process of movement up from a lower to a higher level of development an "industrialization ladder". According to the publication, *"if countries follow similar steps and face similar challenges in their industrialization journey, they face a single industrialization ladder."*³² Moreover, the report differentiates three groups of the actors on the industrialization ladder:³³

- I. *Early industrializers (Britain, Germany, France and the United States);*
- II. *Recent industrializers (for example, Brazil, China, Japan, Malaysia, Turkey);*
- III. *Emerging industrializers (for example, Ethiopia, Indonesia, Viet Nam).*

³¹ Yong, L. 2019. Making It: Industry for Development 2030. Issue 15, Making It Magazine Press, p. 28.

³² UNIDO. 2020. Industrialization as the Driver of Sustained Prosperity, p. 38 [2020-03-01].

³³ Ibid. [2020-03-01].

Such categorization of the countries can be also traced in the linear stages theory of Gerschenkorn, who argues that the early industrializers are being "*sources of technical assistance, skilled labor, and capital goods*".³⁴ In fact, the report even contains a quote by Gerschenkorn and emphasizes that "*the Industrial Revolution in England, and for that matter in other countries, affected the course of all subsequent industrializations*".³⁵ On this basis, according to Gerschenkorn, recent and emerging industrializers can benefit from technological advances and accumulated knowledge of the early industrializers and thus to faster achieve a higher level of development.

For example, in 1980-1990s, through rapid industrialization and a strong focus on industrial policies of deregulation and free markets, many developing countries managed to demonstrate a lot of positive results:

*"In Africa, countries such as Ghana, Tanzania and Uganda embarked on privatisation, retrenched the public sector and liberalised trade. In Asia, India abandoned central planning, embracing a wide range of reforms, and China continued its market-oriented reforms. In Eastern Europe and the former Soviet Union, market reforms followed the end of communism. In Latin America, countries stabilised their economies, defeated hyperinflation, further opened their markets to international trade and capital, and privatised public enterprises. In places as diverse as Bolivia, Brazil, India and Russia, grossly overvalued exchange rates became more competitive."*³⁶

However, for many countries in a developing or an underdeveloped status, certain policy shifts may bring not only advance in industrial performance and technological innovation, but serious economic, social and environmental consequences. Accordingly, the countries mentioned above experienced a large number of financial crises after the implementation of neoliberal agenda in the late 1990s and early 2000s (in East Asia, Russia, Turkey, Brazil, Mexico, Argentina). At the same time, the economic situation in Eastern Europe was remaining drastically unfavourable till 2000s, and the region experienced a long-lasting deep recession that led to a

³⁴ Gerschenkorn, A. 1962 *Economic Backwardness in Historical Perspective*, Cambridge, Mass.: Harvard University Press, p. 47.

³⁵ *Ibid.*, p. 41.

³⁶ Zagha R., Nankani G., Gill I. 2006. *Rethinking Growth. Finance and Development*. A Quarterly Magazine of IMF, p. 12 [2020-05-04].

significant erosion of the industrial base, in comparison to the USSR period, as, for example, in cases of Armenia, Kyrgyzstan and Tajikistan.³⁷

Moreover, most of the countries in Africa did not manage to improve their economic conditions and mainly relied on the development assistance from overseas. Nonetheless, a noticeable take-off was made by Tanzania, Uganda, Mauritius and some other African states, but their economic performance is still being unstable.³⁸ Hence, the main challenge of the sustainable development agenda is to keep the economic growth after its take-off, and make it lasting.

That is why, it is possible to argue that modernization and industrialization, aimed to “catch up” with developed economies, may bring positive transformation in the society of a developing country from one hand, and create dependency of these recipient countries on the other hand. As Dutta, Thaker and Sun underline:

*“Using pejorative terms such as “innovators” and “laggards” to distinguish the target audiences, this framework sees the adoption of “new” technologies as solutions to problems of under-development, for example, as solutions to agriculture challenges, without really interrogating the proposed benefits of these technologies and without critically engaging with the structural organizing of the agricultural sector in targeted societies. The absence of critical interrogations of the broader geopolitics of agricultural technologies and networks of profits thus obfuscate critical questions such as the health and wellbeing consequences of the farmers, the profit motive driving the diffusion of agriculture technologies, and the colonization of agriculture in the hands of transnational agribusiness.”*³⁹

Moreover, the ladder approach to industrial development assistance questions the ability of recipient governments to create and implement strategies of inclusive and sustainable development, resulting in the recreation of policies that keep the countries

³⁷ Finnish Institute of International Affairs. 2019. What Has Remained of the USSR. Exploring the Erosion of the Post-Soviet Space [2020-05-04].

³⁸ Zagha R., Nankani G., Gill I. 2006. Rethinking Growth. Finance and Development. A Quarterly Magazine of IMF [2020-05-04].

³⁹ Dutta, M., Thaker, J., Sun, K. 2008. Neoliberalism, Neocolonialism, and Communication for Social Change: a Culture-centered Agenda for the Social Sciences. National University of Singapore, p. 3.

in poor conditions, making them a replica of industrialized states and restraining them from their own development path. As Tim Allen and Alan Thomas suggest, *“development was a ‘hoax’, never designed to deal with humanitarian and environmental problems, but simply a way allowing the industrialized North [...] to continue its dominance of the rest of the world in order to maintain its own high standards of living.”*⁴⁰ As the research will further showcase, in reality many under-developed countries came to a poorer condition over the last century, since they started to receive development assistance.

Furthermore, perception of industrial development as a ladder does not take into consideration complexity of socio-political agendas of the development agents and ignores monopolistic interests of industrialized states and large corporations that fund the development programmes (both in the area of research and implementation). In this sense, choices of activities, their locations, duration and scope of development assistance depend on geopolitical priorities of a donor country and are mainly driven by capital accumulation and profit.

2.2. Evolution of industrial policies

It is of great importance to realize that, while the Western world has been at the root of industrialization for a long time, states in the Global South have been experiencing different ways of transition to industry and technological innovations, facing different obstacles to industrial development and thus should use different industrial policies to succeed. In this regard, the current section examines a wide range of industrial policies developed after the Second World War and de-colonization of nation states, as well as traces the evolution of industrial policy making.

⁴⁰ Allen, T., Alan, T. 2000. Poverty and Development Into the 21st Century. Oxford University Press.2000, p. 19.

2.2.1. Establishment of the United Nations and formation of industrial policies

Since its establishment in 1945, the United Nations have been promoting the agenda of creating peace, prosperity and economic stability for all nations. Article 55 of the UN Charter signed on 26 June 1945 in San Francisco proclaims the following:⁴¹

“With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote:

- a. higher standards of living, full employment, and conditions of economic and social progress and development;*
- b. solutions of international economic, social, health, and related problems; and international cultural and educational cooperation; and*
- c. universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion.”*

Taking into account the historical prerequisites for creating such policies (such as the Great Depression of the 1930s and the humanitarian disasters of the Second World War), the UN has set goals for its Member States to fundamentally shift their economic, political and institutional policies. Such policy shifts were adequate to meet the needs of the nation states, many of which were still dependent colonies or devastated by wars. Naturally, local populations of such countries were exposed to hunger, poverty, lack of education and employment and other social risks.

Several years later, in 1951 the UN Secretariat issued the report on “Measures for the economic development of underdeveloped countries”. According to the report, economic progress and prosperity of the country can be achieved through the improvement of technology and the investment of capital. At the same time, as Trygve

⁴¹ UN Charter. (n.d.). The UN Charter [2020-04-03].

Halvdan Lie, the UN Secretary General at that time, emphasizes in the preface of the report:⁴²

“One set of the recommendations contained in the report calls upon the governments of the under-developed countries to create the pre-conditions and institutional framework required for economic development, and to take vigorous action to promote a more complete and more efficient utilization of their own economic resources. Several of these recommendations involve actions on the part of governments in which they could be greatly assisted by the United Nations and the specialized agencies through the expanded programme of technical assistance which is now in full operation.”

Since that time, development goals, policies and targets have been evolving and dramatically changing throughout the recent decades. As Koehler argues, *“we are now in seventh decade of development agendas launched by the UN system, which all should be measured against those aspirations of the UN Charter. Development agenda setting began with the analyses and early development cooperation activities of the UN in the 1950s. These were followed by four international development decades, two poverty eradication decades (PEDs) and a 15-year millennium development goal (MDG) agenda.”*⁴³

2.2.2. Industrialization in seven decades of development

Starting in 1961, the first development decade proclaimed development as economic growth that can be gained via a set of measures, where measure No.1 would be *“the achievement and acceleration of sound self-sustaining economic development in the less developed countries through industrialization, diversification and the development*

⁴² UN Digital Library. 1951. Measures for the Economic Development of Under-developed Countries: Report by a Group of Experts Appointed by the Secretary-General of the United Nations, p. iv [2020-04-03].

⁴³ Koehler, G. 2015. Seven Decades of ‘Development’, and Now What?: The SDGs and Transformational Change. In: Journal of International Development 27, p. 734.

of a highly productive agricultural sector".⁴⁴ And if two next international development decades were more or less similar to the first one, due to applying Keynesian approach and aiming to achieve economic growth and social well-being of the developing countries (many of which had recently become independent from metropolises) through rapid industrialization and technological boost, the fourth development decade is considered as the most massive and assertive one.

In 1990, the UN General Assembly adopted the new Industrial Development Strategy that set six following goals:⁴⁵

- 1) *To speed up the pace of economic growth in the developing countries;*
- 2) *To devise a development process that meets social needs, reduces extreme poverty significantly, develops and uses people's capacity and skills, and is environmentally sound and sustainable;*
- 3) *To improve the international systems of money, finance, and trade;*
- 4) *To strengthen and stabilize the world economy and establish sound macroeconomic management practices, nationally and internationally;*
- 5) *To strengthen international cooperation for development;*
- 6) *To make a special effort to deal with the particular problems of the least developed countries.*

The new Strategy still placed emphasis on industrialization and argued that *"the rate of industrialization will obviously vary among countries, but for many countries, especially for those where manufacturing industry was set back in the 1980s, historical experience suggests that the objective should be to raise it significantly, say, to 8 to 10 per cent."*⁴⁶ However, most notably, the Strategy strived to integrate lessons learned from the previous international development decades and for the first time articulated the necessity for sustainability and advanced co-operation in the area of international development, although these novel ambitious goals were not fully realized during the decade.

⁴⁴ UN Resolution. 1961. Resolutions Adopted on the Reports of the Second Committee, p. 18 [2020-03-03].

⁴⁵ UN General Assembly. 1990. International Development Strategy for the Fourth United Nations Development Decade [2020-03-12].

⁴⁶ Ibid. [2020-03-12].

Share of poorest quintile in national consumption,
1990 and 2004 (Percentage)

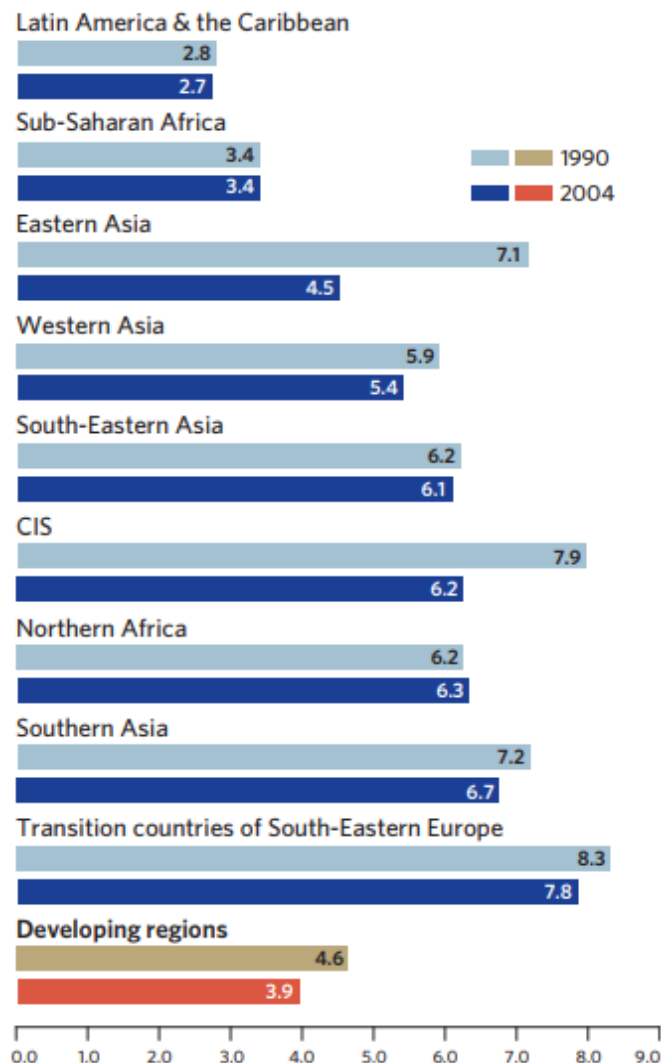


Figure 2: Share of the poorest quintile in national consumption
between 1990 and 2004.⁴⁷

Both Decades for the Eradication of Poverty (PEDs) managed by UN Department of Economic and Social Affairs (DESA) were echoing the development decades, thus presenting the Keynesian approach and mainly focusing on poverty eradication through job creation. However, as stated in the Report of the UN General Assembly “Implementation of the first United Nations Decade for the Eradication of Poverty (1997-2006)”, *“the unemployment rate provides an incomplete picture of the*

⁴⁷ Source: United Nations. 2007. Retrieved from:
<https://www.un.org/millenniumgoals/pdf/mdg2007.pdf>, p.8 [2020-03-01].

*employment situation in the world. It fails to reveal the link between poverty and work. Most of the poor in developing countries are not unemployed.”*⁴⁸ Indeed, although many developing countries started experiencing economic growth, data shows that the poor population of the nation states benefited the least from this growth, due to unequal access to produced social goods, what created a paradox of “jobless growth”.

On their turn, despite of a chronological overlap with the PEDs, the MDGs (covering the period of 2000-2015) shifted focus from employment and productivity as poverty eradication measure in developing and under-developed states. Instead, the new development paradigm was calling for alleviation of the poverty prerequisites, such as education, social protection, gender equality, environmental soundness and sustainable development. However, the idea of productivity growth and boosted industrialization as the only possible way to overcome extreme poverty and hunger remained unrevised. In this manner, at the Round Table that followed the Industrial Development Forum on 1 December 2003 in Vienna, Austria, some main conclusions were the following:⁴⁹

- ⇒ *Industrialization, technology diffusion and economy-wide productivity growth play a crucial role in removing structural impediments to growth. They also allow countries to plug into the international economy through flows of capital and investment as well as through trade;*
- ⇒ *The role of the private sector in bringing about economic growth is crucial, and policies and measures are needed to improve the business and investment climates, thereby lowering the transaction costs and eliminating the obstacles to doing business.*

Moreover, the moderator of the Round Table specifically highlighted that “*only through growth, diversification and industrialization could the sustainability of the goals be ensured.*”⁵⁰ The role of international organizations UNCTAD and UNIDO was underlined as of crucial actors in helping developing countries to link industrialization

⁴⁸ UN General Assembly. 2007. Implementation of the First UN Decade for the Eradication of Poverty, p. 9 [2020-04-05].

⁴⁹ UNIDO. 2003. The Role of Industrial Development in the Achievement of the Millennium Development Goals, p. 7 [2020-04-23].

⁵⁰ Ibid, p. 6 [2020-04-23].

and the MDGs. In addition, the private sector became a new player on the development arena, hence leading to a “market-oriented” perception of the MDGs. It was therefore not surprising that the Goals received a lot of criticism for being designed as “neoliberal, however, under a ‘pretty cover’”.⁵¹

Another large point of criticism touched the orientation of all targets (and indicators) only to developing countries. Only Goal 8 – “Partnership for development” – was designed focused on the North-South cooperation. Nonetheless, it was added under the strong exposure and lobby of the South and was extremely blurred. Accordingly, by the end of the MDGs era, economic and social inequalities became even harsher, accompanied by debt crises, inflation, increase of oil prices and other sings of extremely uneven growth and development.

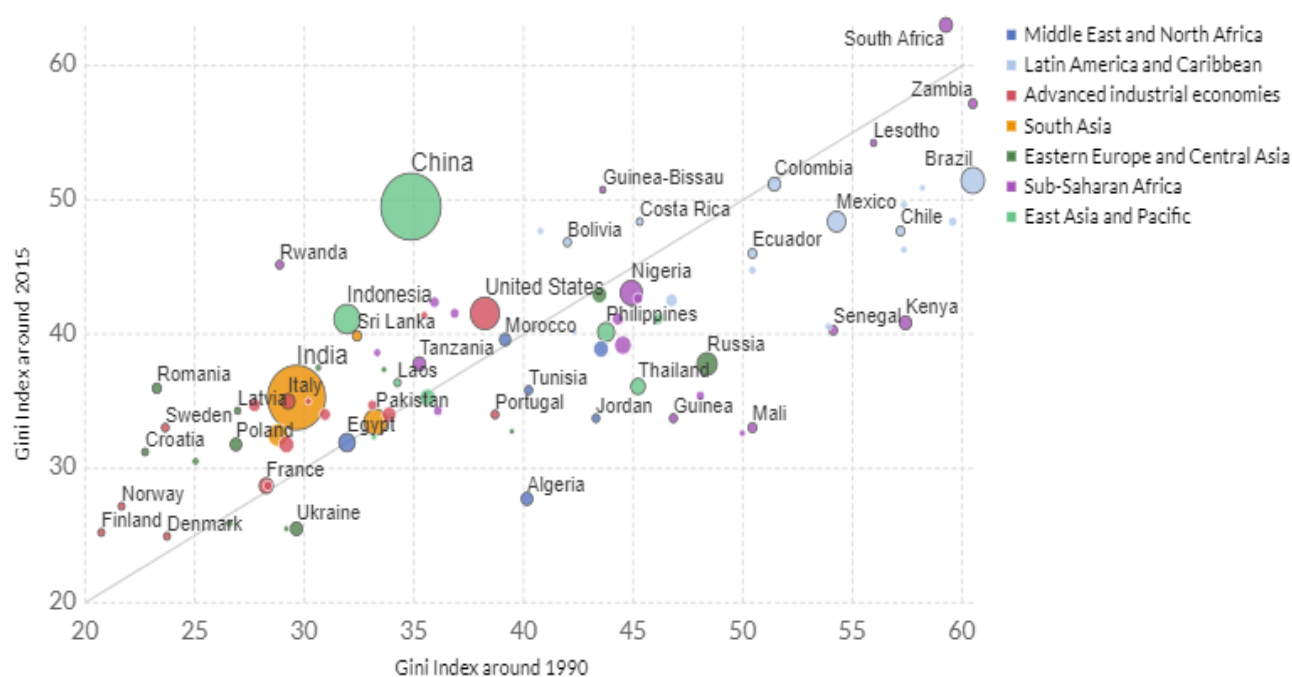


Figure 3: Inequality in 1990 vs. 2015.⁵²

⁵¹ Fukuda-Parr, S. 2010. How Should MDG Success and Failure be Judged: Faster Progress or Achieving the Targets?, pp. 19-33.

⁵² Source: Our World In Data. 2018. Retrieved from: <https://ourworldindata.org/income-inequality-since-1990> [2020-04-23].

At dusk of the MDGs' 15-years agenda, it became obvious that there is an urge to change existing power structures, make them more multipolar, interconnected and inclusive for all segments of the global population. The global crisis in 2008 clearly demonstrated the importance of strong national policies (not only economic, but also industrial and investment) and led to the consensus of international organizations and political leaders that apart from being rapid and exponential, growth should be sustainable. In addition, the formulation of environmental measures and policies was urgently requested to address climate change, increased CO2 emissions, pollution of air and water, waste crisis and other ecological consequences of the resources extraction that occurred due to the enhanced and rapid manufacturing output of the developing states.

2.2.3. SDGs and the new epoch of industrialization

Taking into consideration all the above-mentioned factors, in September 2015, the UN Member States adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). As the resolution of the Agenda proclaims, *"never before have world leaders pledged common action and endeavour across such a broad and universal policy agenda."*⁵³ Essentially, a question arises: what is the distinction between SDGs and MDGs? Anticipating this question, the UN web-page on SDGs informs, that *"building on the success and momentum of the MDGs, the new goals cover more ground, with ambitions to address inequalities, economic growth, decent jobs, cities and human settlements, industrialization, oceans, ecosystems, energy, climate change, sustainable consumption and production, peace and justice."*⁵⁴

⁵³ UN. (n.d.). Preamble: Transforming our world: the 2030 Agenda for Sustainable Development [2020-03-12].

⁵⁴ UN. (n.d.). The Sustainable Development Agenda [2020-04-15].

Moreover, it is proclaimed that “*the new Goals are universal and apply to all countries, whereas the MDGs were intended for action in developing countries only.*”⁵⁵ Indeed, comprising 17 goals with 169 targets and 304 indicators, SDGs can be justifiably regarded as a more comprehensive and holistic discourse than the MDGs.



Figure 4: Sustainable Development Goals (SDGs).⁵⁶

Evidently, a greater focus on good health and quality education determines a shift towards social well-being for all, following the principle “*No one is left behind*”. In addition, the role of industrialization as the main driver of the development is notably underlined in the SDGs. Meanwhile, industrial policies that were created and prescribed by governments received a new expression as a response to failed neoliberal policies of the MDGs era. As the „Making It: Industry for Development“ magazine proclaims:⁵⁷

„Industrial policy – government policies directed at affecting the economic structure of the economy – is firmly back on the agenda in the countries around the world and at all stages of development... Furthermore, without strong government intervention, the

⁵⁵ UN. (n.d.). The Sustainable Development Agenda [2020-04-15].

⁵⁶Source: UNDP. (n.d.). Retrieved from <https://www.undp.org/content/undp/en/home/sustainable-development-goals.html> [2020-04-23].

⁵⁷ Yong, L. 2019. Making It: Industry for Development 2030. Issue 15, Making It Magazine Press, p. 3.

market economies of the United States and Europe may have collapsed. Today, the relevance and pertinence of industrial policies are acknowledged by mainstream economists and political leaders from all sides of the ideological spectrum“.

2.3. Rethinking industrial policies

National governments in all regions of the world have been recently reviewing and redrafting their industrial policies and strategies. For example, aiming to rethink *“the horizontal nature of industrial policy and to avoid a return to selective interventionist policies”*⁵⁸, the EU Commission is currently turning to a new approach to industrial policy, committed to *“bringing together a horizontal basis and sectoral application [...] and promote industrial excellence in given sectors.”*⁵⁹ Hence, a substantial amount of financial resources is now allocated for programming and implementing new industrial policies across the EU.

In the recently published Communication on the New Industrial Strategy for Europe, drafted by The Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions, it is proclaimed as follows:⁶⁰

“Europe’s industrial strategy must reflect our values and social market traditions. We will rely on our strengths: our diversity and talent, our values and way of life, our innovators and creators. We need a European industrial policy based on competition, open markets, world-leading research and technologies and a strong single market which brings down barriers and cuts red tape. And we must resist the simplistic temptations that come with protectionism or market distortions, while not being naïve in the face of unfair competition.”

⁵⁸ Petroleum-Gas University of Ploiesti. (n.d.). Economic Insights: Trends and Challenges, p. 43 [2020-02-28].

⁵⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, and the Committee for Regions: An Integrated Industrial Policy for the Globalisation Era - Putting Competitiveness and Sustainability at Centre Stage, p. 23 [2020-04-12].

⁶⁰ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: A New Industrial Strategy for Europe, p. 1 [2020-04-23].

This idea is supported in the UNIDO's publication "Industrialization as the Driver of Sustained Prosperity":⁶¹

"More recently early industrializers have shifted their policy focus more towards technology policies aimed at competing for innovation, especially in areas like digital policies. Whilst tariffs have been reduced dramatically, new instruments in the form of Non-Tariff Barriers (NTBs) have been used to protect their industries— both with respect to other global leaders and recent industrializers."

This once again proves that industrial policies created for the developing countries – or recent industrializers – are simply duplicating industrial policies of the developed countries and becoming so much influenced over time, that the emergence of independent local strategies for industrial development is hardly feasible. This notion can be supported by Ha-Joon Chang, who argues that industrialized countries that have been developed based on the practice of interventionist economic policies, currently recommend developing countries to avoid the use of such policies. Thus, the author indicates that the latter countries practice from the beginning interventionist policy not to capitalize their comparative advantages, but to promote high-tech industries even in an early stage of their development.⁶²

For example, in such emerging economies, as India, Malaysia or Indonesia, where historically the share of the poorest population is the highest, governments and other actors involved in policymaking are striving to develop industrial policies similar to those that led to sustainable economic growth in the Four Asian Tigers – Hong Kong, Singapore, South Korea and Taiwan. That means reducing governments' intervention and relying on foreign direct investment for gaining a fast technological change.⁶³

⁶¹ UNIDO. 2020. Industrialization as the Driver of Sustained Prosperity, p. 47 [2020-03-01].

⁶² Chang, H. Lin, J. 2009. Should Industrial Policy in Developing Countries Conform to Comparative Advantage or Defy it? A Debate Between Justin Lin and Ha-Joon Chang. In: Development Policy Review 27(5), pp. 483-502.

⁶³ Ibid.

As stated in the report of the Department for International Development (DFID) of the British Government, *“Asian countries are increasingly tackling this agenda of ‘inclusive growth’. India’s most recent development plan has two main objectives: raising economic growth and making growth more inclusive, policy mirrored elsewhere in South Asia and Africa.”*⁶⁴ And despite the fact that the rapid economic transformation of the Asian Tigers was achieved by an intensive export-oriented manufacturing model, that targeted the developed countries, this does not mean that a similar model of economic growth will be suitable and appropriate for South Asian countries.

In fact, the ‘economic miracle’ of the Asian Tigers was facilitated by a strong governmental support that promoted those export-oriented industries and attraction of the foreign direct investment. In this sense, Rodrik underlines, that *“it is impossible to understand the East Asian growth miracle without appreciating the important role that government policy played in stimulating private investment”*.⁶⁵ And only after gaining a stable high-income status, Hong Kong, Singapore, South Korea and Taiwan turned to the de-industrialization pattern of Western countries and switched their productive activities from heavy manufacturing to digital and software production.

Thereby, the example of the Asian Tigers proves the development pattern (presented in Figure 5), when the higher the GDP of the country, the lower its manufacturing output. In this regard, a call to developing countries to refocus their industrial activities towards more innovative (such as high-tech, digitalization and robotization), in addition to industrial policies liberation, may lead to premature de-industrialization and its drastic socioeconomic consequences.

⁶⁴ OECD Department for International Development. 2007. Growth: Building Jobs and Prosperity in Developing Countries, p. 2 [2020-04-03].

⁶⁵ Rodrik, D. 1997. The 'Paradoxes' of the Successful State. In: European Economic Review, Vol. 41, 3–5, pp. 411-442.

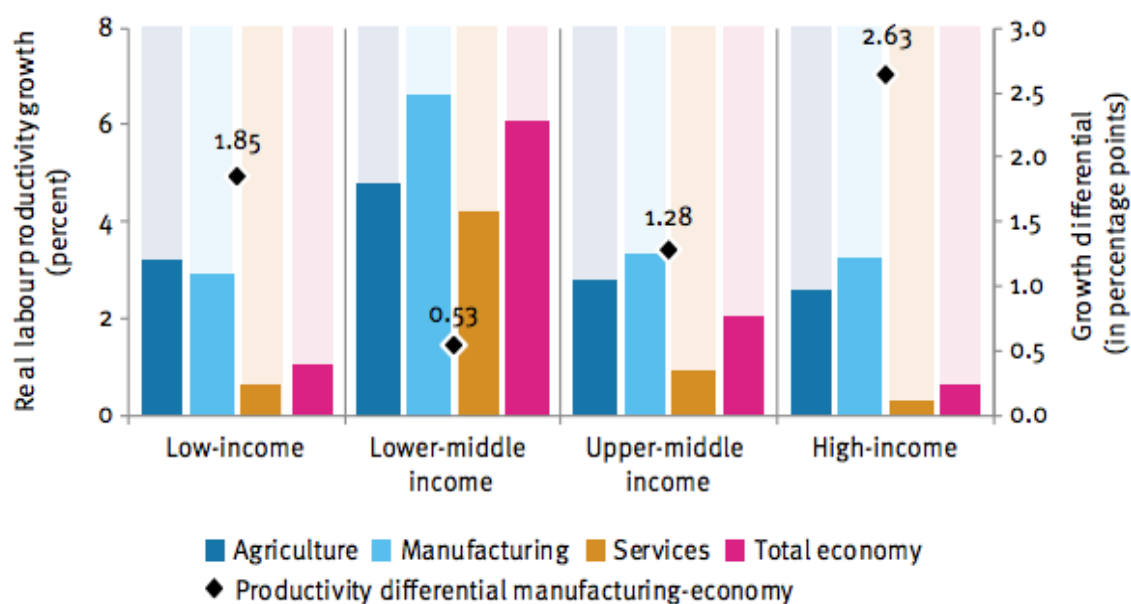


Figure 5: Annual growth rate of real labour productivity by sector for the period 1991-2017.⁶⁶

Authors of the article “Mine closure from below: Transformative movements in two shrinking West African mining towns” provide another example of rethinking industrial policies on the case of the early de-industrialization and de-mining in towns of Fria (in Guinea) and Obuasi (in Ghana). Their arguments are the following:⁶⁷

“Mining in Sub-Saharan Africa shares many aspects with mining in the old industrialized centres: Mining towns are:

- (1) mostly located in areas that are economically and physically peripheral;*
- (2) are left out of global knowledge flows;*
- (3) face environmental degradation and negative health impacts, and*
- (4) experience high unemployment rates due to various reasons, including, for instance, the exhaustion of reserves, increased productivity because of advances in mining technology, and the long-term effects of the post-Fordist reorganization of the industry.”*

⁶⁶ Source: UNIDO. 2020. Retrieved from: https://www.unido.org/sites/default/files/files/2020-04/UNIDO_Industrialization_Book_web4.pdf [2020-03-01].

⁶⁷ Knierzinger, J., Sopelleb, I. 2019. Mine Closure from below: Transformative Movements in Two Shrinking West African Mining Towns. The Extractive Industries and Society, Elsevier, Vol. 6, Issue 1, p. 146.

UNIDO Director General also supports this idea:

*"Look at the Western countries; for instance, London in the United Kingdom. When I was young, I learnt that it was the smoky city, the city of smog, but now it's so clean. They could do it. It proves we can do it. They learnt a lesson, and now you don't see these kinds of things happening, yet industry is still there, flourishing. Many countries are developing their industry on a very big scale but now they can still keep environment."*⁶⁸

However, as the article about Fria and Obuasi emphasizes, a closure of the mines in Africa is a significantly different and more complicated process than in developed nation states. The authors further explain:⁶⁹

*"Calls for diversification and the encouragement of local entrepreneurship are very common topics in mining towns. In a way, they are the neoliberal continuation of far more comprehensive, paternalist 'civilization' efforts of the colonial era. In colonial mining towns, Africans were to take over the whole package of 'modern' European lifestyle, including religion, gender roles, leisure habits, language, etc. Today, citizens of mining towns are said to have lost 'initiative' and the capacity to 'innovate' because 'everything was sucked out by mining'. The new generation of 'civilizing' missions, therefore, focuses on the development of profitability thinking, on the destigmatization of non-mining activities like agriculture and services, and on business skills."*⁷⁰

International actors of development assistance also prescribe to countries in Central Asia, who have large shares of mining and metals sectors in their industries, to diversify their economies with a stronger focus on agriculture and services sectors. In this regard, countries in Central Asia, as well as in Eastern Europe, present the most controversial category as former socialist countries that stand out from the list of the so-called "Third World", but yet are not fully developed.

⁶⁸ Yong, L. 2019. Making It: Industry for Development 2030. Issue 15, Making It Magazine Press, p. 28.

⁶⁹ Knierzinger, J., Sopelleb, I. 2019. Mine closure from below: Transformative movements in two shrinking West African mining towns. The Extractive Industries and Society, Elsevier, Vol. 6, Issue 1, p. 150.

⁷⁰ Ibid.

As the Silk Road Paper issued in 2006 by the Central Asia-Caucasus Institute suggests, *“a strong base of productive human capital is recognized as the basis for industrial innovation and competitiveness. Tertiary level technical skills (i.e., math, science, engineering, and information technology) are particularly vital for absorbing fast-paced modern technologies from abroad and economic diversification from resource-based industries to technology-intensive industries”*.⁷¹

Moreover, in his interview, UNIDO Director General makes it clear, that *“if industry is to be sustainable in the long run, it must undergo a rapid transition. In short, it must quickly adopt a business model that enables it to produce more of the goods and services needed by an expanding world population, while using even fewer resources and producing ever less waste and pollution.”*⁷² The question is, why this transition must be rapid? Indeed, advance in industrial performance and technological innovation would allow the developing countries to achieve economic advantages and better quality of life for the population, but it is crucial to design such development policies and instruments, that would not only imply rapid growth, but ensure that it is appropriate and timely for the country.

3. METHODOLOGY

According to the UNIDO web-site, the PCP Kyrgyzstan will support the Government in achieving several targets of the national Development Programme for 2018-2022 “Unity. Trust. Creation”, such as positioning in top 50 of the World Bank Doing Business Index, 50% of value added to GDP by small- and medium-sized enterprises (SMEs), as well as rise of annual GDP by at least 4% (see Figure 6).⁷³ However, as the present conjuncture in the world shows, higher GDP does not always contribute to improved life of populations or equal access to well-being.

⁷¹ Downing, M., Wignaraja, G. 2006. Central Asia's Economy: Mapping Future Prospects to 2015. Silk Road Paper, p. 55 [2020-04-23].

⁷² Yong, L. 2019. Making It: Industry for Development 2030. Issue 15, Making It Magazine Press, p. 29.

⁷³ UNIDO. 2020. The Programme for Country Partnership for the Kyrgyz Republic [2020-03-15].

3.1. Justification of the method's use

Indeed, the development of a country is most commonly measured by its GDP and GNP. These indicators are inspired by natural sciences and therefore predetermine use of quantitative methods of research, over qualitative. These indicators are used by scientists to analyze and frame political, economic, social spheres of humans' life. Nonetheless, during the last decades some qualitative factors emerged, that are crucial for the understanding of existing socioeconomic systems. For instance, some valuable elements of people's life, such as clean air, fresh water, relationship within the family, gender roles, cultural identities and many others cannot be easily quantified. Therefore, this kind of quantitative indicators of social well-being has been widely criticized recently.

In 2009, the Commission on the Measurement of Economic Performance and Social Progress (the Stiglitz-Sen-Fitoussi Commission) has proclaimed that GDP does not take into account sustainability of goods and services, as well as human activities beyond the "market" which still play an important role in social well-being (such as domestic work, voluntary work, care giving etc.). Moreover, Tideman also highlights that *"by concentrating on the mere statistics of monetary indicators, we fail to distinguish between the qualitative aspects of growth; healthy or unhealthy growth, temporary or sustainable growth. We do not question what growth is actually needed, what is required to actually improve the quality of our life."*⁷⁴

Hence, in the age of mass production and consumption, huge economic crises in both Southern and Northern countries, major loss of jobs, social insecurity, unachieved Millennium Development Goals and vast consequences of the pandemic, there is a growing critique against present development indicators, as well as a growing interest among policy makers and social scientists in various novel models of development.

⁷⁴ Tideman S.G. 2009. Gross National Happiness: Towards a New Paradigm in Economics, p. 228.

Going back to the achievement of the national targets of the Kyrgyzstan's Development Programme for 2018-2022, the author of the current study also shares the opinion, that sustainable development does not mean increased ratings of SMEs, a higher industrial output or number of jobs created. What counts, is self-sufficiency of those SMEs, environmental and cultural aspects of industrial modernization and quality of those jobs created. It is becoming more and more obvious nowadays, that sustainable development should be measured not only through quantitative, but mostly by qualitative research instruments.



Figure 6: The PCP supports the following national targets from the country's Programme for the Development of the Kyrgyz Republic 2018-2022.⁷⁵

Against this backdrop, this study takes into consideration a necessity of a comprehensive analysis of the development policies in the developing country and tries to define its possible development pattern after the implementation of the "innovative" (as declared by creators) Programme for Country Partnership.

3.2. Qualitative research through document analysis

To answer the question, whether the PCP Kyrgyzstan is an innovative approach to sustainable development or a lock-in development pattern, the current study uses document analysis as a research method and reviews national development strategies

⁷⁵ UNIDO. (n.d.). Programme for Country Partnership Kyrgyzstan [2020-05-14].

of Kyrgyzstan, in order to identify not only crucial components, but also bottlenecks and policy gaps for the development (often not sited in the strategies for a range of political reasons). By doing so, the study strives to ascertain, whether the PCP will be able to close these gaps, and indeed to provide inclusive and sustainable solutions to Kyrgyzstan's development.

3.3. Data sources

Two Kyrgyz strategies for sustainable development were selected as primary sources for the document analysis:

- I. The Development Programme of the Kyrgyz Republic for the period 2018-2022 “Unity. Trust. Creation” and
- II. The Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023.

The research was based on the latest information and data available at the moment of the conduction and also used various secondary sources (both online and offline), including: project documents and final reports on them; the Industrial Development Report 2020, thematic articles in the UNIDO magazine, UNIDO's web-site, data from the UNIDO Open Data Platform, the PCP working papers, the PCP brochures and newsletters, available reports on the PCPs progress, other Kyrgyz policies and strategies, information from the national Government and other authorities (such as the State Committee for Industry, Energy and Subsoil Use).

3.4. Structure of the document analysis

The analysis follows a logical sequence and is organized in the following sections:

- ✓ National context: current economic situation in the country, income group of the country, historical prerequisites for industrial underdevelopment, environmental issues, political situation, institutional setting etc.;
- ✓ Relations with development agencies and donors, including previous engagement of Kyrgyzstan with UNIDO: projects conducted by UNIDO in the country, their donors, objectives, outcomes and effectiveness;
- ✓ The PCP Kyrgyzstan: background, key features and priority areas of the Programme, alignment with priorities specified in the national strategies and actual needs of the country, effectiveness of the managerial and evaluating structure, potential efficiency of interventions and risks for implementation, timing of the Programme;
- ✓ National development strategies: background, priority areas and expected outcomes, controversial issues indicated and ignored;
- ✓ Forecast of the PCP Kyrgyzstan scenario and provision of recommendations on the necessary steps for ensuring sustainability of the outcomes planned within the PCP.
- ✓ Discussion on a broader theoretical question, whether industrialization is a necessary prerequisite for development.

3.5. Objectives of the document analysis

The main objective of the current document analysis is to provide an answer to the main research question, whether the PCP Kyrgyzstan is an innovative approach to sustainable development or a lock-in development pattern.

Through a comprehensive overview of the Kyrgyz national strategies for sustainable development and their benchmarking against the PCP framework and planned outputs, the current study intends:

- ✓ to highlight shortfalls in the national strategies leading to potential risks for sustainable development;
- ✓ to identify potential obstacles for the successful implementation of the PCP Kyrgyzstan and
- ✓ to provide recommendations for the future industrial strategy planning of Kyrgyzstan.

In addition, by answering the second research question – “Is industrialization being a necessary prerequisite for sustainable development of the country?” – the current research strives to make a contribution to studies previously conducted on this topic, to close existing gaps in the development literature and to stimulate further debates on the international aid and industrial development assistance.

3.6. Key challenges to the document analysis

Throughout conduction of the current document analysis, the researcher might face the following challenges:

1. The PCP Kyrgyzstan document is not yet signed and thus an official version of the document is not available for a public use, due to the previous political instability and insufficient Government's commitment.⁷⁶ As stated in an official letter from the Kyrgyz Government recently forwarded to UNIDO's Director General, the PCP's approval and further implementation will commence in June 2020. Nonetheless, due to the global pandemic of the COVID-19, the signing ceremony and hence publishing of the Programme will happen only starting from autumn of 2020.
2. The outbreak of the COVID-19 pandemic will bring the biggest global crisis since the establishment of the United Nations and affect all aspects of people's lives. To mitigate the negative consequences of the pandemic, UNIDO will support its Member States and quickly refocus existing models of technical cooperation on the new needs of the countries. In this regard, there is a high probability that national strategies will be reviewed, using UNIDO's support and expertise, as well as some priority areas of the PCPs will be exchanged with more actual ones. Thus, the PCP Kyrgyzstan scenario might be affected by these changes.
3. Since the author of the current study is engaged in the activities of UNIDO and provides consultancy services for a range of the Organization's projects, including the PCP Kyrgyzstan, avoiding personal biases and keeping the objectivity of the author will be among the challenges of the present research.

⁷⁶ The process of the PCP approval is taking so long mostly because of the political instability in the country that led to numerous staff changes in the Parliament and the State Committee for Industry, Energy and Subsoil Use, appointed as a national coordination body of the PCP.

3.7. Criteria of the document analysis

The current analysis is conducted in accordance with the following criteria:

- ✓ Relevance and leading role of the selected strategies for the national sustainable development of Kyrgyzstan;
- ✓ Clear articulation in the selected strategies of the country's national priorities and needs, for the ease of making the comparative analysis with the PCP Kyrgyzstan priority areas;
- ✓ Reliance of primary and secondary data sources and their availability online in English language;
- ✓ Relevance of the previous UNIDO project-based interventions in the country and availability of data on their outcomes and contribution to human development, in order to make prognosis about sustainability and inclusiveness of the future outcomes of the PCP Kyrgyzstan;
- ✓ Objectivity of the present research, aimed to avoid intervening of personal and methodological views of the author and thus to ensure legitimacy and credibility of the study.

4. ANALYSIS

4.1. Kyrgyzstan's country context

4.1.1. Socioeconomic situation

The Kyrgyz Republic, or Kyrgyzstan, is a landlocked country situated in Central Asia with a multi-ethnic population accounted for 6.5 million in 2019.⁷⁷ The strategic geographical position between Europe and Asia, combined with a large base of natural resources, has been attracting a lot of attention to this region from economists and policymakers. However, due to a landlocked position of many countries of the region, a lot of potential benefits of Central Asia remain unlocked and the economic situation in the countries remains harsh.

Thus, Kyrgyzstan's GDP amounted to USD 8.5 billion in 2019⁷⁸. According to the World Bank classification, the country has recently upgraded from a low to lower-middle income group.⁷⁹ At the same time, the GDP per capita of the country accounted for USD 1.323 in 2019 (using the Atlas method), with annual GDP growth of 5.5% over the last five years, which puts Kyrgyzstan in a range of the poorest countries in the region.⁸⁰ To realize the significance of industrialization in achieving the development objectives of Kyrgyzstan, it is important to analyze the share of economic sectors in the national GDP.

⁷⁷ The World Bank. (n.d.). The World Bank in the Kyrgyz Republic [2020-03-15].

⁷⁸ Ibid. [2020-03-15].

⁷⁹ Most of the international agencies offer classification of the developing states by their economic status. The most common and widely-used system of development classification is the gross national income (GNI) per capita, implemented by the World Bank. According to this, states' economies are divided into low income countries (LICs); lower middle income countries (LMICs); upper middle income countries (UMICs); and high income countries (HICs).

⁸⁰ The World Bank. (n.d.). The World Bank in the Kyrgyz Republic [2020-03-15].

In 2018, the economy of Kyrgyzstan had the following structure:⁸¹

- ⇒ The agricultural sector accounted for 11.65% of the national GDP;
- ⇒ The service sector accounted for 49.79% of the national GDP;
- ⇒ The industrial sector accounted for 27.46% of the national GDP.



Image 2: The Kumtor gold mine.⁸²

4.1.2. Industrial state

While being a Member State of the USSR, Kyrgyzstan played an important role in the Union's economy as the largest producer of metals and minerals (such as gold, antimony, mercury and zinc). After the collapse of the USSR in 1991 and the subsequent turn into an independent democratic state with a mixed presidential-parliamentary political system, Kyrgyzstan's industrial sector became strongly

⁸¹ Statista. 2020. Kyrgyz Republic: Share of Economic Sectors in the Gross Domestic Product [2020-03-15].

⁸² Source: MONKBOUGHTLUNCH. 2014. Retrieved from: <http://www.monkboughtlunch.com/kumtor-gold-mine-kyrgyzstan/> [2020-03-17].

dependent on natural resource processing activities, while other industries are continuously stagnating (with the exception of some non-metallic products, as well as food products, including beverages and tobacco products).

Moreover, Kyrgyz industrial output depends heavily on gold mining, and more specifically on the Kumtor Gold Mine, the fifth largest open pit gold mine worldwide. In general, gold mining contributes to 12% of Kyrgyzstan's GDP⁸³. In addition to natural resources, the national economy is strongly dependent on remittances, foreign aid and loans.

According to UNIDO's Statistics Data Portal, manufacturing value added (MVA) per capita in Kyrgyzstan is much lower than in other states of the Central Asia region. Therefore, despite the fact that Kyrgyzstan already had an industrial base during the Soviet era and benefitted from the industrial policies available at the time, current lack of modern technologies and heavy manufacturing combined with low productivity, allows UNIDO to place Kyrgyzstan to the group of emerging industrializers, together with other countries where the PCP is being implemented – Ethiopia, Senegal and Peru.

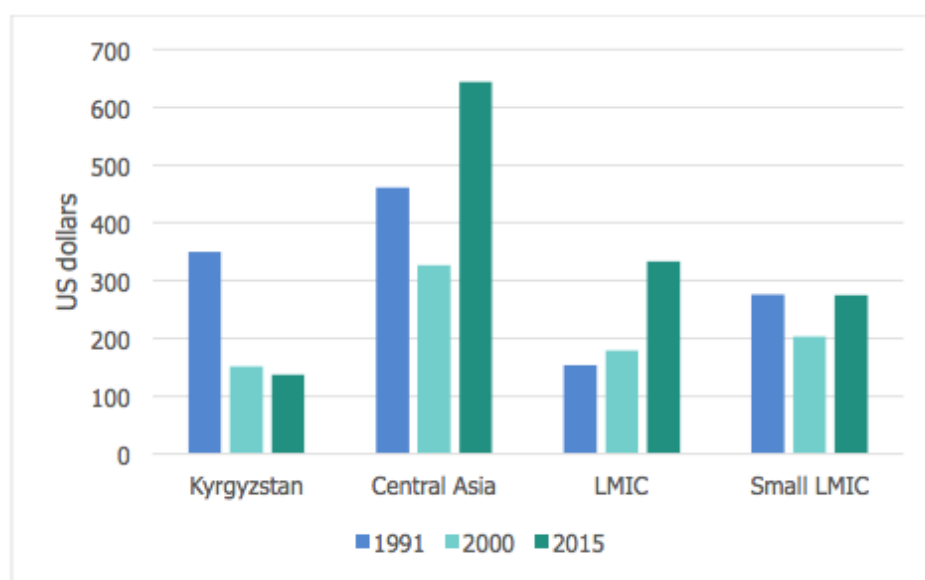


Figure 7: Manufacturing value added (MVA) per capita, in comparison to Central Asia and other lower-middle-income countries.⁸⁴

⁸³ The Economist. 2013. Mining in Kyrgyzstan – Gold in the Hills [2020-03-15].

⁸⁴ Source: UNIDO. 2018. Retrieved from: https://www.unido.org/sites/default/files/files/2018-12/Industrial_Development_Kyrgyzstan-Background.pdf [2020-03-15].

From the first sight, the group of emerging industrializers is too broad and countries included there possess more disparities than common features. Indeed, geographical positions, political orders, social structures, environmental situations and industrial challenges connected with them in the selected PCP countries are extremely varying. However, Kyrgyzstan shares a lot more similarities with them, as it initially seems.

Firstly, the PCP countries have common characteristics of developing countries that include:⁸⁵

- *Lower levels of living and productivity;*
- *Lower levels of human capital;*
- *Higher levels of inequality and absolute poverty;*
- *Higher population growth rates;*
- *Greater social fractionalization;*
- *Larger rural population, but rapid migration to cities;*
- *Lower levels of industrialization and manufactured exports;*
- *Adverse geography;*
- *Underdeveloped financial and other markets;*
- *Colonial legacies - poor institutions etc.*

Furthermore, as other PCP countries, Kyrgyzstan had to transform its economy towards modernization and industrial development and to accept foreign aid, in order to "catch up" with early industrializers on the "industrialization ladder". By doing so, the PCP countries are mainly re-deploying experience of early and recent industrializers, following their policy advice and recycling their industrial policies (i.g. reliance on their comparative advantages). Unlike Peru, Senegal and Ethiopia, Kyrgyzstan does not have a status of the former colony, however, it is possible to argue that the country was also involved in the center-periphery relationships within the USSR political order.

At the same time, if the developed world is more or less defined and constitutes of countries in Western Europe and North America, as well as Australia, New Zealand and Japan, a definition of the developing world is less clear. Traditionally, a list of

⁸⁵ Todaro M.P., Smith S.C. 2009. Economic Development. 10th Edition. New York University and The Population Council, p. 40.

developing countries includes countries in Asia (excluding Japan), Middle East, North Africa, sub-Saharan Africa, most of the countries in Latin America and the Caribbean and last but not least – countries of the former USSR (in Eastern Europe and Central Asia), that are currently being in a so-called “transition” period (see Figure 8).

<i>South-Eastern Europe</i>	<i>Commonwealth of Independent States and Georgia^a</i>
Albania Bosnia and Herzegovina Croatia Montenegro Serbia The former Yugoslav Republic of Macedonia *now North Macedonia	Armenia Azerbaijan Belarus Georgia ^a Kazakhstan Kyrgyzstan Republic of Moldova Russian Federation Tajikistan Turkmenistan Ukraine Uzbekistan

Figure 8: World economies in transition.⁸⁶

Categorization of countries into developed and developing states seems to be very practical for statistical, analytical and political reasons. However, the latest processes in the world have shown that generalization of economies may lead to disappointing outcomes. It is important to gain not only economic growth, high income and job opportunities, but to achieve increase of human capital, such as greater improvements in health, life expectancy, standards of living and education of the population. Otherwise, many developing countries are exposed to a risk of experiencing growth without development.

And even though a range of counties have similar industrial issues that need to be solved, instruments and policies of tackling those issues may differ dramatically. Therefore, it is pivotal to not only create policies correlating to individual needs of the emerging industrializers, but also to set an institutional framework that would be driving inclusive and sustainable industrialization in accordance with the country’s national context.

⁸⁶ Source: UN. (n.d.). Retrieved from: https://www.un.org/en/development/desa/policy/wesp/wesp_current/2012country_class.pdf [2020-03-17].

4.1.3. *Institutional setting*

As argued in the previous section, institutional setting is an important factor to make a prediction, whether the development programme will be effective and will achieve its planned outcomes, at least partially.

Since one of the main PCP features is the Government's ownership, it would be important to analyze first the structure of the Kyrgyz Government. Notably, since 1991 the structure of the Kyrgyz Government has been changed more than 10 times. Moreover, the Head of Cabinet of Ministers has been changed more than 30 times. On average, since 1991, changes in a position of Prime Minister of Kyrgyzstan have been happening every 11 months. Since 2010, there have been 4 changes of the state's Prime Minister.⁸⁷

Political instability and fluctuations on the institutional level are being the main factor for the slowed-down process of the PCP Kyrgyzstan programming and implementation. Moreover, there is no dedicated ministry for industry in the country. A list of governmental institutions includes the following entities:⁸⁸

- Ministry of Economy;
- Ministry of Foreign Affairs;
- Ministry of Finance;
- Ministry of Agriculture, Land Reclamation and Food Security;
- Ministry of Science and Education;
- Ministry of Transportation and Roads;
- Ministry of Culture, Information and Tourism.

⁸⁷ Institute for War and Peace Reporting. 2016. Global Voices. Central Asia [2020-05-14].

⁸⁸ Eurasian Group. (n.d.). Kyrgyz Republic [2020-05-14].

However, there is a wide range of other national institutions related to industrial development, such as:

- State Agency for Environmental Protection and Forestry;
- Investment Promotion Agency;
- State Committee of Information Technology and Communication;
- State Committee on Industry, Energy and Subsoil Use.⁸⁹

In addition, the Office of the President of the Kyrgyz Republic⁹⁰, and in particular the Strategic Development Policy, Economics and Finance Department⁹¹, has an advisory role for the implementation of industrial policies and programmes. Moreover, in accordance with the established PCP practice, the Government of Kyrgyzstan has formed a National Coordination Body for the PCP and designated for this role the State Committee on Industry, Energy and Subsoil Use. The Committee is a *“central executive body responsible for the development and implementation of state industrial policy in the fuel and energy complex and subsoil use.”*⁹²

According to the preliminary agreement between UNIDO and the Government of the Kyrgyz Republic, the National Coordination Body will be headed by the First Vice Prime Minister of the country and engage other high-level representatives from the ministerial working groups to policy decision making and projects approval within the PCP. Moreover, the State Committee on Industry, Energy and Subsoil Use is the main entity that carries responsibility for the successful implementation of the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023. It is also worth mentioning, that all web-sites of the governmental bodies are available not only in Kyrgyz, but also in Russian language.⁹³

⁸⁹ Government of the Kyrgyz Republic 2020. Ministries and Agencies. [2020-05-14].

⁹⁰ The current President of the Kyrgyz Republic is Mr. Sooronbay Jeenbekov.

⁹¹ The Ministry of Economy of the Kyrgyz Republic. 2020. Macro Indicators [2020-04-09].

⁹² MINEX Kyrgyzstan. 2018. State Committee for Industry, Energy and Subsoil Use of the Kyrgyz Republic [2020-03-15].

⁹³ Government of the Kyrgyz Republic. 2020. Government Office. [2020-05-14].

Using the examples of other PCP documents developed for Peru, Senegal and Ethiopia, it is possible to predict that UNIDO will be also striving to strengthen the institutional capacity of Kyrgyzstan through the future PCP. For instance, it is stated in the PCP Peru that *“following the agreed components, there will be a strong focus on institutional capacity building to support the national entities that are working to enhance industrial productivity”*⁹⁴, while the PCP Ethiopia document proclaims that *“strengthening the institutional capacity is one of the most important cross-cutting factors if Ethiopia is to achieve its industrial vision as well as to cope with the huge investment flows coming into the country.”*⁹⁵ Speaking about financial flows, since the creation of infrastructure and conditions for attracting investment in the industrial sector is being one of the main objectives of the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023, it would be useful to review the country’s relations with development agencies and donors.

4.2. Kyrgyzstan’s relations with development agencies and donors

4.2.1. Development assistance

Kyrgyzstan has been supported by the international donor community starting from the time when the country acquired its independence in 1991. Since then, Kyrgyzstan has been receiving foreign aid and loans from a number of international donors, including the World Bank, the International Monetary Fund, the Asian Development Bank, the European Bank for Reconstruction and Development, as well as bilateral sources, namely the Russian Federation, China, the European Union, and other development partners.⁹⁶

⁹⁴ UNIDO. 2017. Mainstreaming of Energy and Environmental Dimension in the PCP Peru, p. 5 [2020-04-15].

⁹⁵ UNIDO. 2014. Programme for Country Partnerships Ethiopia, p. 45 [2020-04-01].

⁹⁶ Development Partners Coordination Council (DPCC). (n.d.). Agencies [2020-05-14].

According to the Country Diagnostic, conducted by UNIDO as a preparation for the PCP, *“net official development assistance and official aid received (current US\$) in Kyrgyzstan was reported at 460.820,000 USD in 2017, according to the World Bank collection of development indicators, compiled from officially recognized sources”*⁹⁷, which, however, showed the negative trend in flows of foreign direct investments (FDI). The decrease in FDI might be connected with a major reliance of the country on extraction of natural resources (such as gold mining). Furthermore, high political instability and insufficient capacity of national institutions might be among factors for decreased FDI.

In addition, in 2015 Kyrgyzstan joined the Eurasian Economic Union (EAEU), where Kazakhstan and Russia are being the main providers of development assistance to other Union’s Members. For instance, in 2017, the Government of the Russian Federation issued a decree on signing off Kyrgyzstan’s historical debt to Russia accounting to USD 240 million.⁹⁸ Thus, aiming to facilitate the integration of the Kyrgyz Republic into the EAEU, Russia supports various projects in the country through the established Russian-Kyrgyz Development Fund. Simultaneously, PJSC “Gazprom” – Russia’s biggest energy corporation – announced its intentions to make investments in the Kyrgyz gas sector.⁹⁹

Furthermore, since obtaining a status of the emerging donor in 2010, Russia is closely collaborating with UNIDO within projects in Kyrgyzstan (that became a Member State of UNIDO in 1993). For instance, UNIDO has recently completed a 3-year project (from 2016 to 2019) titled “Linking the tourism industry to productive activities in the Issyk-Kul region of the Kyrgyz Republic”. The project was initiated upon a request of the Ministry of Economy of Kyrgyzstan and fully funded by the Russian Government in the amount of almost USD 1.8 million.¹⁰⁰ The main objective of the project was to stimulate economic growth and employment through promoting linkages between the tourism sector and related productive industries in the region of Issyk-Kul lake (a main tourist

⁹⁷ UNIDO. 2018. Diagnostic for the Programme for Country Partnership (PCP) - The Kyrgyz Republic, p. 44 [2020-04-15].

⁹⁸ Eurasianet. 2017. Kyrgyzstan: Russia Cancels Debts, but Credit Pile Remains High [2020-04-03].

⁹⁹ Gazprom. (n.d.). Foreign Projects. Kyrgyzstan. [2020-05-14].

¹⁰⁰ UNIDO. (n.d.). Linking the Tourism Industry to Productive Activities in the Issyk-Kul Region of the Kyrgyz Republic [2020-03-08].

destination in the county). As a result, the UNIDO project was named a "Project of the Year" in Kyrgyzstan and several national beneficiaries of the project received special awards from the Prime Minister of Republic.¹⁰¹

Another project titled "Promoting Community Level Job Creation and Income Generating Activities through the Development of Cost-Effective Building Materials Production in Kyrgyzstan" was running in Kyrgyzstan for four years (from 2014 to 2018) and was funded by the Russian Federation in the amount of USD 1.8 million.¹⁰²

The main objective of the project was to *"contribute to promotion of community level job creation and income generating activities through the development and use of cost-effective building materials for housing purposes and for the environmentally sound rehabilitation of water irrigation and drainage system in the rural areas of Kyrgyz Republic."*¹⁰³ As a result, the Smart Build centre was established in Bishkek on the premises of the of the Kyrgyz-Russian Slavic University. The purpose of the centre is to showcase sustainable solutions for the construction sector, as well as to share the latest technological knowledge about the building materials.

4.2.2. Donors' involvement in the PCP

With regard to donor's involvement in the PCP, it was agreed between UNIDO and the Kyrgyz Government, that technical assistance projects that constitute a heart of the Programme and contribute to the achievement of its objectives in five priority areas, can only be run with sufficient funding leveraged from international donors. The United Nations Country Team in Kyrgyzstan has already expressed its support for the PCP and willingness to work with the Kyrgyz Government and UNIDO on projects development and funds mobilization. The country's traditional bilateral development

¹⁰¹ TII.UNIDO. (n.d). UNIDO Project in Kyrgyzstan Named "Project of the Year" [2020-05-14].

¹⁰² UNIDO. (n.d.). Promoting Community Level Job Creation and Income Generating Activities through the Development of Cost-Effective Building Materials Production in Kyrgyzstan [2020-04-01].

¹⁰³ UNIDO. 2014. Project Document of the Kyrgyz Republic, p. 11 [2020-04-01].

partners, like China, EU, Japan, Switzerland and Turkey, are also considered as potential donors of the Programme.¹⁰⁴

However, Russia is being a major donor of the PCP and is already closely cooperating with UNIDO in the Kyrgyz Republic. Since the initiation of the Programme, Russia has funded its preparatory phase with over USD 215.000.¹⁰⁵ Moreover, according to preliminary discussions, Russia is planning to allocate about USD 2 million for the technical projects under the PCP Kyrgyzstan. Expectedly, some additional financial support was promised by the Russian-Kyrgyz Development Fund. As stated on the web-site of the Fund, it was established with a goal *“to promote economic cooperation between Kyrgyzstan and Russia, to modernize and develop the Kyrgyz economy, and effectively use the opportunities sparked by the participation of the sides in the Eurasian economic integration.”*¹⁰⁶

But, as mentioned by Wallerstein, *“social transformation and catching up are seriously different objectives. They are not necessarily correlative with each other. They may even be in contradiction with each other.”*¹⁰⁷ Hence, although the PCP Kyrgyzstan is expected to foster the modernization of the selected industrial sectors through inclusive and sustainable industrial development, as well as to deepen integration of the national economy into global markets, it is questionable, whether these activities are necessary and desired for the well-being of the nation state or they assist to legitimate the interventionist politics of foreign aid providers.

Besides, as the publication *“Sustainable Development: Mapping Different Approaches”* highlights, *“a transformation view of sustainable development has a strong commitment to social equity, with a view that access to livelihood, good health, resources and economic and political decision making are connected. In the absence*

¹⁰⁴ Development Partners Coordination Council (DPCC). (n.d.). Agencies [2020-05-14].

¹⁰⁵ UNIDO. (n.d.). Linking the Tourism Industry to Productive Activities in the Issyk-Kul Region of the Kyrgyz Republic [2020-03-08].

¹⁰⁶ Russian Kyrgyz Development Fund. (n.d.). About Us [2020-04-01].

¹⁰⁷ Wallerstein, I. 1988. Structural Dependence of the State on Capital. Cambridge University Press, p. 13.

*of people having control over their lives and resources, inequality and environmental degradation are inevitable.*¹⁰⁸

Hence, there is a necessity to examine, whether the PCP Kyrgyzstan, that is aimed at supporting the Government of the Kyrgyz Republic to foster the modernization of the selected industrial sectors through inclusive and sustainable industrial development, is also able to follow the main sustainable development principle that “no one is left behind” and to provide environmental and social innovations in Kyrgyzstan, apart from technological.

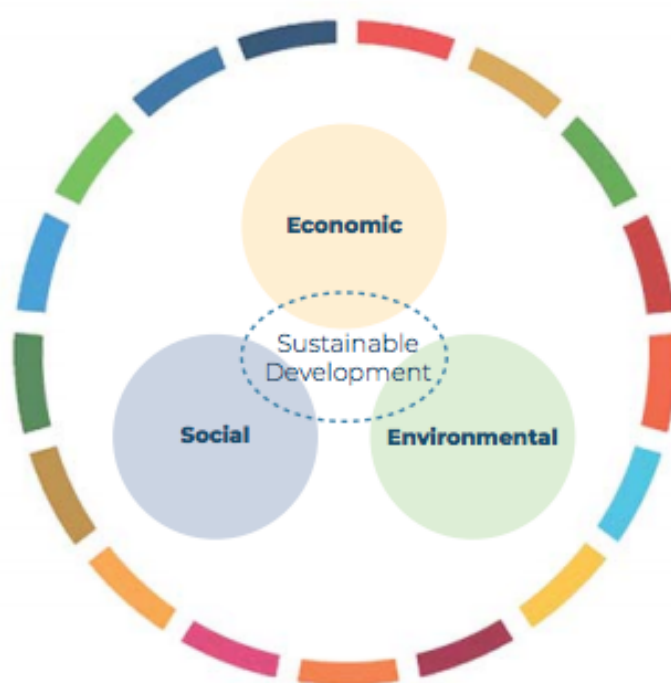


Figure 9: Key elements of the sustainable development.¹⁰⁹

¹⁰⁸ Hopwood, B., Mellor, M., O'Brien, G. 2005. Sustainable Development: Mapping Different Approaches. Sustainable Cities Research Institute, University of Northumbria, Newcastle on Tyne, UK, p. 9.

¹⁰⁹ Source: UNDP. 2015. Retrieved from: file:///Users/ilonasleptsova/Downloads/ADR_Armenia_EN.pdf [2020-04-02].

4.3. The PCP Kyrgyzstan

4.3.1. Background of the PCP Kyrgyzstan

In 2016, realizing vulnerability of the Kyrgyz economy to external shocks, the Government of Kyrgyzstan referred to UNIDO with a request to modernize the national industrial base through the PCP – UNIDO’s “innovative model”. In 2017, the PCP preparatory phase was initiated, that led to UNIDO Director General’s mission to the Republic, as well as several missions of UNIDO experts, and resulted in the formulation of the Country Diagnostic.¹¹⁰ The study was aimed to analyze national development strategies and industrial development priorities of Kyrgyzstan, in order to identify main opportunities, as well as main obstacles for the Kyrgyz economy to take off through the PCP.

Surprisingly, the major bottleneck for the PCP Kyrgyzstan implementation was the absence of a national industrial development strategy per se. Hence, in 2017-2019 UNIDO and the Government of the Republic were working together on the development of the Strategy, whereas the Organization’s experts came up with solutions for modernizing and accelerating the industrialization process in the country, while the national stakeholders validated a methodology and a workplan for this.¹¹¹

Based on the jointly created Strategy for Sustainable Industrial Development of the Kyrgyz Republic, in 2019, the Action Plan for the PCP implementation was developed, followed by the Programme document itself.¹¹² All documents have been consulted with the Kyrgyz Government and translated into Russian and later into Kyrgyz language, for a broader access and ownership of the national stakeholders.

¹¹⁰ UNIDO. 2018. Diagnostic for the Programme for Country Partnership (PCP) - The Kyrgyz Republic [2020-04-15].

¹¹¹ UNIDO. 2017. Laying the Foundations of a New Industrial Development Programme for Kyrgyzstan [2020-05-14].

¹¹² UNIDO. (n.d.). Programme for Country Partnership Kyrgyzstan [2020-05-14].

4.3.2. Priority sectors of the PCP Kyrgyzstan

Drawing on the national interests and needs (that were identified with the Organization's assistance), the PCP Kyrgyzstan is designed to focus on the following objectives in five priority industrial sectors/areas:

- 1) *Modernizing energy infrastructure;*
- 2) *Developing agro-processing value chains focusing on food and beverages;*
- 3) *Modernizing the construction materials industry;*
- 4) *Upgrading the textile and apparel industry;*
- 5) *Enhancing sustainable tourism and strengthening linkages between tourism and productive industries.*¹¹³

In addition to this, it is planned to support the above-mentioned objectives by multiple interventions addressing cross-cutting issues, such as the Government's capacity building in the area of industrial development, access to finance and investment promotion, export promotion and related quality infrastructure, regional development, environmental issues, ICT infrastructure and gender mainstreaming.

It is worth mentioning, that till the end 2018, the PCP for the Kyrgyz Republic was designed with slightly different priority areas, that included:

- 1) *Developing agro-processing value chains with a focus on food and beverages;*
- 2) *Upgrading the textiles and apparel industry;*
- 3) *Enhancing sustainable tourism and strengthening linkages between tourism and productive industries;*
- 4) *Modernizing the construction materials industry;*
- 5) *Sustainable development of the mining sector;*
- 6) *Developing technical infrastructure for industrialization.*¹¹⁴

¹¹³ UNIDO. 2020. The Programme for Country Partnership for the Kyrgyz Republic [2020-03-15].

¹¹⁴ UNIDO. 2019. The PCP for the Kyrgyz Republic, p. 7 [2020-03-27].

These priority areas were changed due to a shift of decision-making powers in the Government, as well as in order to avoid controversial questions connected to the mining sector, while requesting donors' assistance.

According to the PCP design principles, each priority area correlates to the needs and targets of the country's respective industrial sectors. It is planned to support each priority area through a number of projects implemented by development partners under UNIDO's umbrella. Furthermore, each priority area is aimed to address constraints and to enhance comparative advantages of the selected sectors of the Kyrgyz industry. However, one should not forget that the needs and main objectives for the development of the Kyrgyz industry were articulated by UNIDO itself, while preparing the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023. Therefore, it may create a conflict of interests, meaning that the Organization led the Strategy formulation process in alignment with its own capacities and services that it may offer for facilitation of inclusive and sustainable industrial development (UNIDO's mandate).

4.3.3. Comparative advantages approach as a basis of the PCP Kyrgyzstan

Moreover, drawing upon the Diagnostic study conducted by UNIDO prior to the PCP formulation, it is possible to trace that the selected priority areas are based on Kyrgyzstan's comparative advantages, determined by the given pre-conditions in the country. For instance, despite its landlocked geographical position, the location of Kyrgyzstan in the mountains gives it an enormous potential for the development of the hydropower, which correlates to the Priority area 1 – *“Modernizing energy infrastructure”*.

Despite the fact that, according to data of the FAO, in 2018 two thirds of the Kyrgyz lived in rural areas¹¹⁵, agricultural activities of Kyrgyzstan accounted only for 11.65% of the national GDP.¹¹⁶ However, given the country's favourable climate conditions, this sector could provide good opportunities for fruits and crop cultivation (and further export), which correlates to the Priority area 2 – *“Developing agro-processing value chains focusing on food and beverages”*.

Sufficient amounts of raw materials suitable for use in building activities (such as natural stones, basalt, sand, gypsum, etc.) allow Kyrgyzstan to have an extensive production of cement, glass, tiles, bricks etc. Kyrgyz cement plants, such as the Kant Cement Plant, the Kurment Plant and several others, jointly produce around 2 million tons of cement per year, while part of this cement is produced for export. Moreover, given the fact that Kyrgyzstan was already engaged in a UNIDO project focusing on the country's construction sector, it would provide a country with a comparative advantage in the Priority area 3 – *“Modernizing the construction materials industry”*.



Figure 10: Priority areas of the PCP Kyrgyzstan.¹¹⁷

¹¹⁵ UN Food and Agriculture Organisation. 2018. Socio-Economic Context and Role of Agriculture [2020-03-19].

¹¹⁶ Statista. 2020. Kyrgyz Republic: Share of Economic Sectors in the Gross Domestic Product [2020-03-15].

¹¹⁷ Source: UNIDO. (n.d.). Retrieved from: <https://www.unido.org/programme-country-partnership/kyrgyzstan> [2020-03-15].

Furthermore, despite the vast stagnation of the Kyrgyz textile sector after the collapse of the USSR (that was also experienced by Armenia and Tajikistan), the sector still has a potential to employ a big amount of population. According to UNIDO's Diagnostic study, *"the Kyrgyz textiles and wearing apparel industries could increase formal employment to 7.5 times of the current level."*¹¹⁸ In addition, relatively low labour costs in combination with potential export opportunities to Kyrgyz traditional trading partners, such as China, Kazakhstan and Russia, provide a country with a comparative advantage in the Priority area 4 – *"Upgrading the textile and apparel industry"*.

During the last decade, Kyrgyzstan is becoming more and more attractive for tourists from China, India, Russia and other neighbouring CIS countries, mostly due to a unique landscape and climate of the southern shore of the Issyk-Kul Lake, the second largest alpine lake and the seventh deepest lake in the world. The lake provides tourists with opportunities for hiking, fishing, water sports and eco-tourism, for very affordable prices, owing to favourable exchange rates.

Linking tourism industry with other manufacturing sectors, such as creative or agricultural industries, would allow to enhance employment of the local population (including vulnerable groups, such as women and youth) and increase the income level of the country. Moreover, given the fact that Kyrgyzstan was already engaged in the UNIDO project on linking the tourism industry to productive activities in the Issyk-Kul region, it would provide the country with a comparative advantage in the Priority area 5 – *"Enhancing sustainable tourism and strengthening linkages between tourism and productive industries"*.

¹¹⁸ UNIDO. 2018. Diagnostic for the Programme for Country Partnership (PCP) - The Kyrgyz Republic, p. 11 [2020-04-15].



Image: The Issyk-Kul Lake, Kyrgyzstan.¹¹⁹

As it was possible to prove, the PCP Kyrgyzstan is strongly aligned with the country's comparative advantages, that presents a neoliberal approach to development. Such an approach seems to be logical and promising for the state's achievement of fast economic growth and prosperity. However, some researchers confront this idea and claim that the comparative advantage approach may become a 'silver bullet' for the industrial base of a country receiving foreign aid.

For example, a famous development economist Ha-Joon Chang argues:¹²⁰

"The concept of comparative advantage, first invented by David Ricardo, is one of the few concepts in economics that is more than common sense (the others include Keynes' notion of effective demand and Schumpeter's concept of innovation). The beauty of this concept is that it shows how even a country with no absolute international cost advantage in any industry may benefit from international trade by specialising in industries at which it is least bad [...] Given this, a good neoclassical economist may

¹¹⁹ Source: Advantour. (n.d.). Retrieved from <https://www.advantour.com/kyrgyzstan/issyk-kul.htm> [2020-03-19].

¹²⁰ Chang, H. Lin, J. 2009. Should Industrial Policy in Developing Countries Conform to Comparative Advantage or Defy it? A Debate Between Justin Lin and Ha-Joon Chang, p. 489.

be tempted to argue that a country should do a cost-benefit analysis before deciding to enter a new industry, weighing the costs of technological upgrading against the expected future returns, using comparative advantage as the measuring rod. However, this is a logical but ultimately misleading way of looking at the process. The problem is that it is very difficult to predict how long the acquisition of the necessary technological capabilities is going to take and how much 'return' it will bring in the end."

Nonetheless, the PCP Kyrgyzstan has the optimistic objective to modernize and upgrade national industrial sectors selected as the PCP priority areas by 2024 in line with the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023. Even though by May 2020, the PCP document has not been yet approved and signed by the Kyrgyz Government.¹²¹

4.3.4. Current status of the PCP Kyrgyzstan

To date, UNIDO is in the process of obtaining Government's approval of the Programme document. Notable to mention, the PCP Kyrgyzstan is so far the most slowly developing Programme of UNIDO. For example, for the PCP Ethiopia the first technical mission was conducted in August 2014, and the PCP document was approved by the Government in February 2015, followed by its immediate implementation. Similarly, for the PCP Senegal, the first mission took place in September 2014, and an official launch of the Programme was held in April 2015.¹²²

In the case of Kyrgyzstan, the process of the PCP approval is taking so long mostly because of the numerous changes in the administration (since 2016, the Government has changed its structure and, respectively, national entities responsible for the implementation of the PCP, two times). When the current research was initiated in the

¹²¹ UNIDO. (n.d.). Programme for Country Partnership Kyrgyzstan [2020-05-14].

¹²² UNIDO. (n.d.). Programme for Country Partnership Senegal [2020-04-01].

end of 2019, it was planned by the Government of Kyrgyzstan to sign the PCP document in the beginning of 2020.

In January 2020, the Government sent an official letter and informed UNIDO about the possible signing ceremony of the PCP in April 2020. Following this letter, UNIDO requested a financial contribution from Kyrgyzstan to the overall PCP budget in the amount of USD 82.000, in order to be assured in the Government's ownership of the Programme and willingness to cooperate within the duration of the PCP (from 2020 to 2024). As a result, the Parliament of the Kyrgyz Republic informed the UNIDO Field Office in Bishkek, that the provision of this amount of money is not possible, due to a scarcity of the republican budget.

After a range of negotiations lasting till April 2020, the Government sent an official letter to UNIDO Headquarters confirming its readiness to contribute the requested amount to the Programme's budget and to sign the PCP in June 2020. However, due to the COVID-19 pandemic, it does not seem feasible to organize the signing ceremony (that requires participation of the UNIDO Director General and Head of the Kyrgyz Government) and to start the Programme at least till autumn of 2020. In addition, to start the PCP, endorsement by UNIDO's Executive Board and by now the only donor of the Programme – the Russian Federation – will be required.

At the same time, the PCP structure does not include but, on contrary, presupposes involvement of a large number of not only bilateral, but also multilateral donors and makes a great emphasis on the involvement of the private sector. Nonetheless, UNIDO makes it clear that it is ready to provide technical advisory services to the Kyrgyz Government for the formulation of projects, while the responsibility of the fund mobilization fully lies on the Kyrgyz side. In this regard, there is a rising concern, that the PCP Kyrgyzstan might be misused for more accommodating donors' spheres of interests, rather than the Kyrgyz national development strategies.

4.4. National Policy Framework

As discussed in the previous section, the success of the PCP Kyrgyzstan is conditioned by the alignment of the country's development objectives and donors' priorities. Very often these two components look similar but are driven by different motives. Moreover, some development objectives and targets of the state are aimed at eradication of present issues, while ignoring the roots of these issues, and thus are at a higher risk of being not sustained, as soon as the development programme is finished.

Therefore, even though the PCP is proclaimed to be an "innovative model for accelerating inclusive and sustainable industrial development", it cannot be equally replicated in the beneficiary countries that stand on one level on the "industrialization ladder". The effectiveness of the PCP will strongly depend on each state's industrial background and political context, institutional setting and, most importantly, on a set of development strategies. In this regard, the current study focuses on the analysis of the following development strategies of the Kyrgyz Republic:

- I. The Development Programme of the Kyrgyz Republic for the period 2018-2022 "Unity. Trust. Creation";
- II. The Strategy for Sustainable Industrial Development of the Kyrgyz Republic for the period 2019-2023.

4.4.1. The Development Programme for 2018-2022: "Unity. Trust. Creation"

The Development Programme of the Kyrgyz Republic for the period 2018-2022 "Unity. Trust. Creation" is based on the long-term National Development Strategy of the Kyrgyz Republic for the period 2018-2040. As proclaimed in the long-term Strategy, "by 2040, Kyrgyzstan will emerge as a strong, self-sufficient, developed state with the

*individual in the center as the highest value along with his life, health, rights and freedoms and with the most favorable environment for him.”*¹²³

The long-term Strategy further emphasizes that for the achievement of these goals, the policy-making will be guided by the following principles:¹²⁴

- ✓ *Strategic initiatives are formulated based on spiritual values, where happiness and well-being of an individual, his family, the whole society are the main factors and criteria for success.*
- ✓ *The pursuit of new knowledge, healthy lifestyle, progressive spiritual values becomes the main factor of human development and, accordingly, the main priority of the Development Strategy.*

In the chapter dedicated to industrial development of Kyrgyzstan, the long-term Strategy names the following priority areas:¹²⁵

- 1) *Industrial sector potential of the country;*
- 2) *Agroindustrial complex and cooperation;*
- 3) *Light industry clusters;*
- 4) *Sustainable development of tourism.*

One can notice, that the above-mentioned priority areas mostly correlate to the PCP Kyrgyzstan priority areas. However, the area “Industrial sector potential of the country” names mining activities as the primary manufacturing focus of the country.¹²⁶

“It is necessary to press for increased efficiency of mining, introduction of modern mining technologies with minimal impact on the environment. Mineral resources development should provide formation of financial resources for development.”

Since the National Development Strategy for 2018-2040 sets very broad goals in a very long perspective, it was decided to refer to a short-term Development Programme

¹²³ Development Partners Coordination Council (DPCC). (n.d.). National Development Strategy of the Kyrgyz Republic for 2018-2040, p. 7 [2020-03-19].

¹²⁴ Ibid., p. 7 [2020-03-19].

¹²⁵ Ibid., p. 48 [2020-03-19].

¹²⁶ Ibid., p. 48 [2020-03-19].

“Unity. Trust. Creation” for the period 2018-2022, which is designed in a full recognition of the key challenges and objectives of Kyrgyzstan specified in the long-term Strategy.

Thus, in the “Unity. Trust. Creation” Programme the following key challenges of the country can be traced:¹²⁷

- External challenges – such as unstable economic situation, climate change, anthropogenic environmental degradation, job loss due to technological modernization and automation of labour (including digitalization and artificial intelligence), insufficient waste management;
- Regional challenges – such as long distance from the global economic centers, underdeveloped infrastructure and logistics system, in addition to risks of cross-border crimes;
- Internal challenges – such as social problems, including unemployment of informal employment of the population, insufficient public infrastructure, low population’s involvement in the development policy-making and lack of qualified working force.

In this regard, the key task of the Government is to ensure the dynamic development of the economy and stable growth in incomes of the population, and, consequently, to reduce poverty. A clear priority is the development of an effective state administration as a precondition for increased capacities of the public sector and better use of the state budget. In addition, the Programme aims to build the economic basis for improving the well-being of the people, with particular reference to macroeconomic stability and monetary policy, foreign economic policy, investment policy, tax and customs policy, as well as the financial system. The Programme also emphasizes the development of small and medium-sized businesses, particularly in the regions and remote settlements.

¹²⁷ UN. 2018. The Development Program of the Kyrgyz Republic for the Period 2018-2022 [2020-04-01].

The “Unity. Trust. Creation” Programme also identifies a number of strategic sectors for the development of the economy:¹²⁸

- 1) *Agro-industrial sector;*
- 2) *Tourism;*
- 3) *Light industry;*
- 4) *Building;*
- 5) *Power engineering;*
- 6) *Transport and road map;*
- 7) *Mining;*
- 8) *Taza Suu (water supply and sanitation sector).*

As can be seen, five priority areas of the PCP Kyrgyzstan fully correlate with the strategic sectors identified in the “Unity. Trust. Creation” Programme. Moreover, some cross-cutting issues in the context of industrial development – such as diversification of the export-oriented structure of industrial production, modernization and expansion of existing industries, creation of sustainable jobs and stimulation of investments – are also intervening in the design of both documents. In addition, a big role in the achievement of the state’s development objectives is given to the private sector. As stated in the Programme, *“the private sector will compete with state service providers, and the Government will ensure the long-term functioning of public-private projects.”*¹²⁹

Moreover, difficult issues and constraints to the inclusive and sustainable development of the Republic are mentioned and described in the “Unity. Trust. Creation”. Those issues include corruption, weak property rights, poor infrastructure, high inflation rates and decreased attractiveness for investors, which correlates with the findings of the Country Diagnostic.

Nonetheless, there is a number of disincentives that are not mentioned in the Programme. For example, it does not include the following potential risks that may

¹²⁸ UN. 2018. The Development Program of the Kyrgyz Republic for the period 2018-2022, p. 21 [2020-04-01].

¹²⁹ Ibid. p. 36 [2020-04-01].

significantly slow down the achievement of development objectives set by the Government till 2020:

- Political instability in the country – although the political climate has been relatively stable in the recent time and the last presidential elections were held without violence for the first time since the Republic's independence, turmoil in the administrative system and a constant change of institutions responsible for the implementation of the Programme (also in case of the PCP) still remain a big factor for the potential failure of the Programme.
- Political tensions with other countries in the region – a border dispute between Kyrgyzstan, Uzbekistan and Tajikistan in the Ferghana valley (due to the coercive set up of the borders during by the Soviet regime) still remains unresolved, which leads to social, economic and environmental issues of Kyrgyzstan.¹³⁰ For example, ethnic tensions create security problems on the country's borders; weakened transboundary water management decreases hydropower potential of the country; and tense relationships with neighbouring Uzbekistan and Tajikistan limit Kyrgyzstan's economic ties and trade opportunities. Moreover, Kyrgyzstan is also experiencing political tensions with Kazakhstan – the country with the largest economy in Central Asia¹³¹ – that leads to a decreased bilateral trade and major losses of the Kyrgyz export-oriented SMEs.¹³²
- Strong reliance on natural resources – large reserves of natural resources of the country and, in particular, gold create its comparative advantage conditions in the mining industry, but at the same place the national economy in a vulnerable position due to lack of industrial diversification. Additionally, overreliance on mining limits the opportunity for social inclusiveness in the country, which is one of the main principles of the 2030 Agenda for Sustainable Development.

¹³⁰ DFID. 2010. Kyrgyzstan in Crisis: Permanent Revolution and the Curse of Nationalism [2020-05-13].

¹³¹ The World Bank. (n.d.). The World Bank in Kazakhstan. Overview [2020-05-13].

¹³² UNIDO. 2018. Working paper 1. Industrial Development of Kyrgyzstan: Background, p. 14 [2020-03-15].

- Insufficient flows of foreign direct investments – since the country considers foreign direct investments from Member States of the EAEU and other states as a key element of industrial transformation, weaknesses of legislative frameworks, sometimes unclear administrative procedures, high interest rates and volatile exchange rates may decrease attractiveness of Kyrgyzstan for potential investors.

At the same time, the importance of attracting investments, as well as negative effects of overreliance on the base of natural resources are highlighted in the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023, formulated by the Government jointly with UNIDO.

4.4.2. The Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023

As mentioned earlier in the study, the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023 was drafted in 2019 by UNIDO, in order to be able to implement the PCP Kyrgyzstan. Since one of the main features of the PCP is a strong alignment with the national industrialization strategies and policies, UNIDO experts responsible for the formulation of the PCP faced a paradox, when the PCP document could not simply rely on any Kyrgyz strategy. Hence, in February 2018 UNIDO took an unprecedented step and offered the Government to jointly develop a Strategy for achieving inclusive and sustainable industrial development.

During the drafting process, the Organization was constantly consulting with the national counterparts regarding priority areas, a workplan and tools for meeting the Strategy's objectives. The document was initially created in English language and was later translated into Russian and Kyrgyz languages, for faster obtainment of the comments from the national stakeholders. Finally, after several rounds of discussions, in September 2019 the Strategy was adopted by the Kyrgyz Government.

As stated in the paper, *“the main objectives of the Strategy are to improve the regulatory framework in the field of industrial policy and development, create infrastructure and conditions for attracting investment in the industrial sector, and to introduce industrial innovative technologies in industrial sectors.”*¹³³

The following nine priority areas are identified in the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023:¹³⁴

- 1) *Mining and metallurgical industries;*
- 2) *Energy;*
- 3) *Food industry;*
- 4) *Construction sector;*
- 5) *Light industry;*
- 6) *Tourism;*
- 7) *Developing infrastructure necessary for industrial development;*
- 8) *Regional industrial development;*
- 9) *Increasing the country’s export potential.*

As can be seen, five priority areas of the PCP Kyrgyzstan fully correlate with the strategic sectors identified in the Strategy. Moreover, the Strategy not only serves as a basis of the PCP document, but also engages with the latter for mobilization of partners and resources, in order to achieve a larger development impact. For this, the Government is going to take the following steps:

- ✓ To take into account different competitive advantages of different Kyrgyz regions, as well as relations with other states of Central Asia – and thus to boost an output of the industrial sector;
- ✓ To expand high-tech and competitive export industries – and thus to reduce the dependence on exports of raw materials;

¹³³ UNIDO. 2019. Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023, p. 1 [2020-04-03].

¹³⁴ UNIDO. 2019. Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023, p. 1 [2020-04-03].

- ✓ To create an effective management system in industry – and thus to improve conditions to attract foreign direct investment.

Furthermore, the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023 lists potential risks to the achievement of the planned objectives:¹³⁵

- *Financial risks are caused by the country's weak investment attractiveness due to the negative impact of socio-economic factors and the lack of effective mechanisms to stimulate industrial development, the low efficiency of financial and credit policies, as well as limited national and local budgets.*
- *Technological risks are caused by a weak educational and research base for the introduction of innovative technologies and the development of potentially effective sectors of industry.*
- *Social risks suggest a decrease in employment, an increase in internal and external migration of the population, and the mismatch between education and the needs of industrial development.*
- *Export risks of industrial products are due to the active development of industrial production in the EAEU countries and other countries.*
- *Natural and climatic risks for the development of the energy sector are caused by global climate change and lower water levels in rivers where electricity generation capacities are located. Environmental risks for the development of the extractive industry are caused by the high level of the possible environmental impacts of the sector.*

As can be traced, the Strategy developed by UNIDO includes the risks for the industrial sector of the Kyrgyz Republic, that were not indicated in the “Unity. Trust. Creation” Programme (such as a strong reliance on natural resources and insufficient flows of foreign direct investments). The Strategy also presents new risks, such as weak

¹³⁵ UNIDO. 2019. Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023, p. 13 [2020-04-03].

educational and research bases, and loss of jobs due to internal and external migration.

However, the Strategy jointly development by UNIDO and Kyrgyzstan does not articulate such bottlenecks for its successful implementation, as:

- Political instability (both in the country and in the region);
- Lack of the Government's commitment in providing support to the private sector as one of the major development actors nowadays;
- Insufficient Government's ownership in the activities aimed at the implementation of the Strategy;
- Unfavourable institutional climate for monitoring and evaluation of the Strategy's results.

4.5. Findings

Now, when we identified, what crucial components two foundational policy documents of Kyrgyzstan have in common, as well as differentiated their gaps and threats, let us investigate, whether the PCP Kyrgyzstan is able to address these challenges and thus to promote inclusive and sustainable industrial development of the state.

As can be seen on Figure 11, the Development Programme of the Kyrgyz Republic 2018-2022 "Unity. Trust. Creation" and the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023 specify a number of identical challenges for the inclusive and sustainable development of the country (this includes macroeconomic challenges, corruption, weak property rights, poor infrastructure, as well as environmental and social problems). At the same time, both documents ignore political instability as one of the most crucial challenges for development of any state.

Risks for achievement development objectives, specified in the programmes	The Development Programme of the Kyrgyz Republic 2018-2022 "Unity. Trust. Creation"	The Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023	Is the Programme for Country Partnership for the Kyrgyz Republic 2020-2024 designed to address these challenges?
Low technological and educational capacity	–	+	Yes
Political instability (internal and external)	–	–	No
Macroeconomic challenges	+	+	Yes
Unfavourable institutional climate	+	–	No
Corruption	+	+	No
Weak property rights	+	+	No
Poor infrastructure	+	+	Yes
Low attractiveness for investors	–	+	Yes
Strong reliance on natural resources	–	+	Yes
Environmental degradation	+	+	Maybe <i>(if legislative acts will be reviewed and updated)</i>
Social problems (loss of jobs, poor inclusion of local population)	+	+	Maybe <i>(if local population and private sector will be actively engaged)</i>
Low Government's commitment and ownership	+	–	No

Figure 11: Comparative analysis of implementation risks for the national development strategies of the Kyrgyz Republic.

Since the Programme for Country Partnership is a product of the international organization, it is not designed for addressing internal political issues of the country, such as corruption, property rights, inflation etc. The PCP is also not aimed at resolving external political conflicts and cross-border tensions of the states, since these objectives are not included in the UNIDO's mandate. Nonetheless, the PCP is able to positively influence the macroeconomic situation of Kyrgyzstan through the implementation of projects that will assist local industrial enterprises to upgrade and upscale their manufacturing activities, to improve their competitiveness on national and international markets and hence to increase the national GDP and GNI.

At the same time, there is a strong need to differentiate the economic growth and the actual development. As demonstrated by statistics, in individual states with relatively similar economic conditions, higher economic growth rates may bring different results, from increased well-being of the population to growing social inequalities. For example, Georgia and Angola both have relatively low value of GNI per capita (USD 4.440 and USD 3.370 respectively¹³⁶). However, a level of human development (such as health system, education, gender equality etc.) in Georgia is about two times higher than in Angola – the countries scored 70 and 149 in the Human Development Index Ranking 2019.¹³⁷

Hence, besides the improvement of the macroeconomic situation, partners participating in the PCP Kyrgyzstan, and the Government of the Republic in the first place, should focus their activities on social and environmental aspects of development. Therefore, inclusion of the population in the design, implementation and benefits of the industrial activities are of crucial importance. In parallel, throughout the implementation of the PCP, the Government will need to address needs of vulnerable groups of population and thus to tackle the issue of youth employment and to mainstream gender equality and women's economic empowerment.

Moreover, UNIDO's rich experience in promoting renewable energy sources, ecosystems preservation, enhancing beneficiaries' capacities in renewable and

¹³⁶ The World Bank. (n.d.). GNI per Capita, Atlas Methodv [2020-04-03].

¹³⁷ UNDP. 2019. Human Development Index Ranking [2020-04-25].

alternative energy technologies and creating circular economy may significantly support Kyrgyzstan in strengthening natural resource management and being more resilient to economic risks connected to an overreliance of the country on its natural resources.

However, as the table shows, strong reliance on natural resources is not considered as a risk to economy by the “Unity. Trust. Creation” independently developed by the Kyrgyz Republic. Such a category of risk only appears in the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023 developed for the country by UNIDO. And although reliance on natural resources indeed negatively effects the socio-economic development of any state in a long perspective, the deviation from this economic strategy might be premature for some countries and thus bring even greater socio-economic problems.

In this regard, UNIDO should refrain from imposing industrial development objectives for Kyrgyzstan, that the country did not initially consider. Additionally, at each stage of the PCP implementation, UNIDO should carefully examine whether its actions and actions of the Programme’s donors are objective and not biased. The same applies to such risks, as “low attractiveness for investors” and “low technological and educational capacity”. In fact, the latter UNIDO’s assumption that Kyrgyzstan lacks national technical capacities might be very malicious for the sustainable development of the country, since it leads to overreliance of the Republic on donors and international organizations and hence intensifies its geopolitical, financial, institutional and policy-making dependence.

Based on the arguments, provided above, the current study suggests that the Programme for Country Partnership invented by UNIDO is more likely to be a lock-in development pattern, than an innovative approach to sustainable development.



Figure 12: Forecast of the PCP Kyrgyzstan pattern.

Answering the second broader theoretical question, whether industrialization is a necessary prerequisite for sustainable development, the current study agrees, that economic growth implies industrial upgrading. Industrialization was always present in the development discourse, to varying extents. The analysis in the previous chapters showed that there is a big correlation between industrialization and economic growth. States that gained stronger growth in the share of manufacturing also obtained higher economic growth. This theory is proven by both theoretical arguments and historical evidence.

However, industrialization is a multi-faceted ambiguous phenomenon, that can both harm and bring positive effects to all spheres of the societies, such as health, working conditions, social justice, environment and even political stability. During the last two decades industrialization has been gradually taking a central place in national policies, as the means of the structural transformation of a state. Indeed, industrialization is proved to increase economic indicators of countries, but greater economic growth and prosperity are not always equally experienced by all segments of a country's population (and in some cases severely harming a poor segment). In addition, while rushing towards growth, industrial activities do not always take the environmental state into account. Hence, the concept of development is not a panacea for the modern society anymore, but sometimes is a cause of a disease.

Actually, the thought that traditional indicators for measuring development was expressed many times before. For instance, Robert F. Kennedy during his speech in the University of Kansas, on 18 March 1968, proclaimed that:

"But even if we act to erase material poverty, there is another greater task, it is to confront the poverty of satisfaction - purpose and dignity - that afflicts us all. Too much and for too long, we seemed to have surrendered personal excellence and community values in the mere accumulation of material things. Our Gross National Product, now, is over \$800 billion dollars a year, but that Gross National Product - if we judge the United States of America by that - that Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children. Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our

*learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile*¹³⁸.

Nowadays, a growing number of scholars are questioning the existing growth models and development programmes. As Hopwood, Mellor and O'Brien argue, *"no trends, [...] no programmes or policies offer any real hope of narrowing the growing gap between rich and poor nations. This pattern of growth has also damaged the environment upon which we depend, with a downward spiral of poverty and environmental degradation."*¹³⁹

But if industrialization is a necessary condition for development, what could be done differently in designing and implementing industrial policies and programmes, in order to avoid past mistakes? David Korten, one of the main proponents of alternative development, offers the "people-centred" concept of development for addressing this challenge:

*"The survival of our civilization, and perhaps our very lives, depends on committing ourselves to an alternative development practice guided by the three basic principles of authentic development: justice, sustainability and inclusiveness."*¹⁴⁰

Dudley Seers, the author of the article on "The Meaning of Development", also suggests the model of human-needs centred development in which *"the realization of the potential of human personality [...] is a universally acceptable aim"*.¹⁴¹ Moreover, according to Ulrich Brand, *"development policies nowadays must focus on the necessary global transformation of the prevailing mode of living and production towards a more equitable, solidary and ecologically sustainable one. Otherwise, promises are threatened to remain empty and well-intended strategies which are going*

¹³⁸ JFK Library. 1986. Kennedy University of Kansas Speech [2020-04-25].

¹³⁹ Hopwood, B., Mellor, M., O'Brien, G. 2005. Sustainable Development: Mapping Different Approaches. Sustainable Cities Research Institute, University of Northumbria, Newcastle on Tyne, UK, p. xi.

¹⁴⁰ Allen, T., Alan, T. 2000. Poverty and Development Into the 21st Century. Oxford University Press. p. 33.

¹⁴¹ Seers D. 1970. The Meaning of Development. Institute of Development Studies at the University of Sussex, p. 10.

*to fail. Development policies need to be transformative and should support alternatives and, in order to be able to do so, undergo processes of societal self-transformation, i.e. away from paternalistic structures and practices dominated by Northern thought-patterns”.*¹⁴²

As can be seen, the modern debate is not whether any government should engage in the development process, but how to do it better. In this regard, the current study proposes a possible solution:

⇒ Industrialization should be considered not as the only means of development, but as a part of a broader development process and only as one of key development building blocks. Other vital elements of the national development should include social justice, human and environmental security and inclusive policymaking.

5. CONCLUSION

Nowadays it is clear that innovation and industrial development have a great potential to bring positive changes in the prosperity and well-being of nation states. Better infrastructure provides better opportunities for trade and financial flows, broader access to Internet allows to better fulfill basic human rights of information and education, enhanced manufacturing activities boost job creation and increase in GDP per capita. In this context, combined efforts of international organizations and a new actor of development assistance – private sector – are supposed to contribute to poverty reduction and steady economic growth in beneficiary countries. In this regard, involvement of international organizations in the industrial development process seems to ensure neutrality of technical interventions of the private sector.

¹⁴² Brand, U. 2014. Social-Ecological Transformation as Basic Condition for a Realistic Post-2015 Agenda. In: ÖFSE (Edit.) Österreichische Entwicklungspolitik, Analysen, Berichte, Informationen “Die Post-2015 Agenda. Reform oder Transformation”, Wien, p. 7.

However, industrial development aid is a highly ambivalent phenomenon, that sometimes benefits donors more than beneficiaries. As a consequence, choices of a location for provision of infrastructure, attraction of foreign investments, technological training and capacity building are not neutral in their nature and strongly depend on the donors' geopolitical priorities. Profound changes in the distribution of power in the world economy – rise of large middle-income economies, such as China, Brazil, India, or Indonesia, increased competition from emerging economies, larger migration flows of high-quality labour forces – push some development actors to further promote the idea that better industrial policies can provide 'better' development. Such ideas prolong to the neoliberal agenda and do not leave a chance for developing countries to find their own, alternative, development path.

Moreover, as Thomas Dichter suggests, *"historically, the conception of what could be accomplished through external aid was reinforced by the success of the Marshall Plan. Because of it we came to believe that the external aid could be the prime mover in development. But the Marshall Plan worked because its goal was the rebuilding of previously successful modern industrial states. It did not set out to change or create social, political, and economic institutions or fundamentally alter people's values – infinitely more complex goals."*¹⁴³

Hence, nowadays there is a growing need to review and formulate new industrial policies, as well as action plans and programmes resulting from them. The United Nations Industrial Development Organization (UNIDO) also recognizes that transparent communication between all actors of the development process (not only donor community, but recipient governments) and aligning their interests are crucial factors for the creation and successful implementation of any development policy, strategy, programme or action plan. UNIDO is also one of the major advocates of the sustainable industrial development among international institutions. This means that beyond supporting economic growth of its Member States through industrialization, the Organization strives to ensure that it is socially inclusive, environmentally friendly and thus long-lasting.

¹⁴³ Dichter, T. 2003. *Despite Good Intentions: Why Development Assistance to the Third World Has Failed*, University of Massachusetts Press, p. 290.

In 2014, UNIDO presented its “innovative” approach to sustainable development – the Programme for Country Partnership (PCP), in which UNIDO serves as an umbrella organization that facilitates synergies among ODA partners, financial institutions and a new actor on the development arena – the private sector – for providing industrial advisory services and technical assistance to developing states. From the other hand, the UNIDO’s publication “Industrialization as the Driver of Sustained Prosperity” highlights, that the PCP helps to achieve inclusive and sustainable industrial development (ISID) and to “*support countries in their efforts to climb up the industrialization ladder.*”¹⁴⁴

Such an assumption follows the evolutionary theory that appeared during the First Industrial Revolution. Now, in the era of the Fourth Industrial Revolution, a thick line is still drawn between developing and developed countries, representing them as laggards and frontrunners, subaltern and innovators. Such an approach in the international industrial programming does not contribute to inclusiveness, but, on the contrary, creates larger transnational inequalities, extends neoliberal modes of knowledge production and thus leads to dependent relationship between aid providers and recipients.

Therefore, the current study focused on the PCP Kyrgyzstan and analyzed, whether this new Programme of UNIDO has a potential to drive industrialization in the recipient country and simultaneously fulfill the main promise of the 2030 Agenda for Sustainable Development, that “No one is left behind”.

As the research showed, the PCP indeed presents a new approach to inclusive and sustainable industrial development and contains many important elements for Kyrgyzstan’s potential prosperity and well-being. These elements include transparency of all stakeholders (including the private sector) and the synchronization of their activities for the good of the country hosting the Programme; ensuring social inclusion and community participation in industrial development (especially vulnerable groups of

¹⁴⁴ UNIDO. 2020. Industrialization as the Driver of Sustained Prosperity, p. 162 [2020-03-01].

population, such as women and youth) and last, but not least, the Government's ownership.

From the other hand, the PCP is also vastly based on the Strategy for Sustainable Industrial Development of the Kyrgyz Republic 2019-2023, that was developed for the country by UNIDO. The Strategy provides a number of valuable recommendations for modernization and upgrading of the most promising industrial sectors (energy, agro-processing, construction, tourism and textiles and apparel), but also offers additional development objectives for Kyrgyzstan, that do not correlate with the development objectives articulated in the National Development Programme "Unity. Trust. Creation" 2018-2022, that was independently formulated by the country.

UNIDO's assumption about Kyrgyzstan's "low attractiveness for investors" and "low technological and educational capacity" might lead to limited industrial self-sufficiency of the country, its overreliance on support from donors and international organizations, extension of its dependency on geopolitical, financial, institutional and policy-making levels, and ironically, sabotaging Kyrgyz sustainable development. Moreover, such a neoliberal approach to development is at risk of serving not only the county's needs, but also facilitating broader interests of donors involved in the development process of Kyrgyzstan and restraining the country from identifying its individual development path.

Therefore, according to the current study, the Programme for Country Partnership invented by UNIDO is more likely to be a lock-in development pattern, than an innovative approach to sustainable development.

However, the present research suggests that the PCP Kyrgyzstan has a potential to foster inclusiveness and sustainability of the development process in the country, if the following conditions will be met:

- ⇒ UNIDO's acknowledgment (instead of diminishing) of Kyrgyzstan's local technical capacities;

- ⇒ Actual Government's ownership in the Programme's decision making process and engagement with donors;
- ⇒ Government's rejection of outsourcing approach to further industrial policy formulation and determination to unfolding its own potential of the policy making;
- ⇒ Independent evaluation of the Programme's results not only by its completion in 2024, but also 3-5 years after, in order to realize, whether the outcomes of the PCP are truly sustainable.

The last recommendation would indeed guarantee the innovativeness of the PCP, since, as practice demonstrates, there are usually disparities between the desired objectives of programmes and their actual implementation, especially in a long run. However, the international agencies involved in the implementation of those programmes tend not to evaluate their results (most probably, in order not to identify unintended outcomes, in addition to intended). In addition, not all outcomes appear immediately after a programme implementation.

Therefore, the current study suggests, that the PCP Kyrgyzstan outcomes should be evaluated 3, 5 or even 10 years after the Programme's completion, in order to trace economic, social and possibly cultural shifts in the society. The current study also suggests that data collection for the PCP evaluation should be done by independent national experts, since independency in data is a crucial step towards an exit from the center-periphery relationship. Such steps would offer more lasting solutions to the industrial development in the formulation of next PCPs.

However, it is not clear to date, whether the Programme for Country Partnership is a long-lived instrument for industrial development. In fact, the PCP is a 'product line' issued under the supervision of the current Director General of UNIDO. Similar to commercial products, it has communication and promotion strategy and uses the promise of the 2030 Agenda for Sustainable Development – "No one is left behind" – as a slogan. Changes in the Organization's management or new global challenges may motivate UNIDO to come up with new, more promising industrial programmes.

Such a next product of UNIDO could be a new tool to address impacts of the pandemic of the novel coronavirus (COVID-19), that has created an unprecedented global crisis in the history of the United Nations. The COVID-19 is not only affecting health of populations, but also leads to economic recession, job loss and manufacturing deterioration. In this regard, in the beginning of April 2020, UNIDO announced that the Organization will be developing new technical assistance tools and respective programmes for its Member States, in order to facilitate smooth recovery and establishment of a strong basis for maintaining resilient income and promoting job creation in the developing countries during the post-pandemic period.

As can be traced since the beginning of the era of development, international organizations and other actors on the development arena are being flexible in adapting programming and policy instruments when the need arises. As Gilbert Rist emphasizes, *“it may well appear surprising that, sixty years after the international community officially set its sights on extending ‘development’ to the South, this has still not come to pass. If a politician makes too many demagogic promises, he ends up a failure in the eyes of his electorate. And if a researcher persists too long with experiments that show no result, he is eventually dismissed by his employer. But nothing of the kind happens in the field of ‘development’: promises are tirelessly repeated and experiments constantly reproduced.”*¹⁴⁵

However, as the present research suggests, industrial policies and programmes are still a necessity, they embrace many opportunities for truly inclusive and sustainable development. Nonetheless, industrialization should not be considered as a basement for the development, rather than one of its pillars, alongside with expanded human capabilities, social justice and environmental security.

¹⁴⁵ Rist, G. 2008. The History of Development. From Western Origins to Global Faith. Zed Books Press, p.23.

List of Abbreviations

COVID-19	Corona Virus Disease 2019
DESA	the UN Department of Economic and Social Affairs
DFID	the Department for International Development
EU	the European Union
EAEU	the Eurasian Economic Union
FAO	the Food and Agriculture Organization of the United Nations
FDI	foreign direct investments
GDP	gross domestic product
GNI	gross national income
HDI	the Human Development Index
HICs	high income countries
ISID	inclusive and sustainable industrial development
KPIs	key performance indicators
LICs	low income countries
LMICs	lower middle income countries
MDGs	the Millennium Development Goals
MPI	the Global Multidimensional Poverty Index
MVA	manufacturing value added
NIEO	the New International Economic Order
NGOs	non-governmental organizations
PED	the Poverty Eradication Decade
PCP	the Programme for Country Partnership
PPP	public-private partnerships
SDGs	the Sustainable Development Goals
SMEs	small and medium-sized enterprises
UN	the United Nations
UNCTAD	the United Nations Conference on Trade and Development
UNIDO	the United Nations Industrial Development Organization

UMICs	upper middle income countries
USD	United States dollar
USSR	the Union of Soviet Socialist Republics

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