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**Report on the Technical, Organizational and Financial Feasibility of the  
Establishment of a Continental Body on Productivity**

## **BACKGROUND AND CHALLENGES**

### ***Productivity in the AU Constitutive Act***

High Productivity Profile will contribute to 'establish the necessary conditions which enable the continent to play its rightful role in the global economy and in international negotiations; and promote sustainable development at the economic, social and cultural levels as well as the integration of African economies". It is crucial in rising "living standards of African peoples".

### ***Productivity and the MDGs in Africa:***

The achievement of the AU 2004 Declaration and Plan of Action on Employment Promotion and Poverty Alleviation, as well as of the AU Social Policy Framework for Africa, depends on productivity performance on the Continent. The Millennium Development Goals (MDG) Report 2011 "Assessing Progress in Africa towards the Millennium Development Goals", claims strongly that "Growth in labour productivity is essential for improving living standards and sustaining poverty reduction". Growth in labor productivity is essential for improving living standards and sustaining poverty reduction. Productivity improvement in Africa can accelerate the attainment of the MDGs' 1 (Eradicate extreme poverty and hunger), 3 (Promote gender equality and empower women) and 7(Ensure environmental sustainability).

### ***The Prevailing Productivity Bleak Picture of Africa:***

The current productivity reality in the continent will not improve significantly without a comprehensive Agenda, as the challenges are many and daunting. According to the ILO, the largest gap of productivity is encountered in Africa (ILO 2007) with a value added per worker 12 times less in Sub-Saharan Africa than that of a worker in the industrialized world and 4 times lower in North Africa. That is largely due to the fact that in Africa around 80% of workers are in the Informal Economy, the Rural Economy (R.E) and the SMEs while they contribute for about 60% of GDP and these sectors are still damped by very low productivity scores.

Over the past decade, Africa has contributed significantly to global economic growth; however, economic performance has not translated into a significant reduction in poverty among its populations. It was observed that output per worker (labour productivity) is very low in Africa (excluding North Africa). In 2009, it was estimated to be US\$ 5,141 for Africa (excluding North Africa), compared to US\$ 12,383 (East Asia), US\$ 22,352 (Latin America and the Caribbean), and US\$ 70,946 (developed economies and European Union) (ILO, 2011)<sup>1</sup>. Proportion of the "working poor" remains a challenge. The slowdown in the rate of capital accumulation and weak growth in total factor productivity could have accounted for the sharp fall in labor productivity.

Additionally, the poor performance of the Public Sector, as well of the Parastatal Sector, the lack, amongst others, of a comprehensive productivity movement, raw material exports with a little value addition, lack of competitiveness among local enterprises, low skilled workforce, particularly in the informal SMMEs and agriculture and lack of resources (funding, technical)

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<sup>1</sup>"Assessing Progress in Africa towards the Millennium Development Goals, MDG Report 2011, AUC, ECA, AfDB, UNDP

are contributing to the continent's low productivity. Africa is also faced with weak tripartism and a relatively weak political commitment to productivity.

Special attention therefore needs to be devoted to productivity, particularly in Africa's public sector as productivity shortfalls are related to the poor performance of Public Sector governance. This sector manages critical factors of the external environment such as education, health, telecommunications, electricity supply and transport as well as the macroeconomic policy framework. More generally, the issue of public sector performance and productivity is reflected in the AU's Public Service Charter.

The lack of productivity database and statistics in Africa is a critical clue at national, regional and continental stages. As per international standards and benchmarking, South Africa is the only member state participating in international productivity measurements through its National Productivity Institute in the World Competitiveness Index. This is a serious gap area that needs to be addressed.

It is therefore imperative to reverse these trends and uplift the productivity of the continent if Africa is to meet the MDGs, the NEPAD objectives and the strategies outlined in various continental policies on employment promotion and poverty alleviation.

### ***Long Standing Political Commitment for Productivity Improvement in Africa:***

Responses to this long standing challenge were framed at the highest political level in the Continent. The Organization of African Union (OAU) now African Union (AU) has been committed to productivity promotion in the African continent for long through its various decisions and recommendations on Productivity. In 1988 the General Secretariat of the Organization of African Unity (OAU) organized the first Pan-African Tripartite Seminar on the Productivity of African Workers the results of which were condensed in **Document LC/3 (XII), calling for the establishment of regional productivity organizations as clusters for the creation of a Pan-African Productivity Organization and of productivity centers in the respective countries with the assistance of the Commission in cooperation with the ILO and other development partners.**

On the occasion of the 20<sup>th</sup> Conference of Ministers of Labour and Social Affairs held in Addis Ababa, in April 1997, the Secretary General of the OAU produced an important report on the theme ***"Increasing Productivity, Key to the Improvement of the Quality of Life in Africa in the 20<sup>th</sup> Century"*** (LSC/5(XX).

In September 2004, at an Extraordinary Session of the Assembly, the Heads of State and Government adopted in Ouagadougou a Declaration together with a Plan of Action for the Promotion of Employment and Poverty Alleviation, with a Follow-Up and Evaluation Mechanism for its implementation. They called for increased productivity by improving occupational health, safety and hygiene, and partnership between the public and private sectors with a view to promoting productive employment in the modern sector. They also stressed that priority should be given to the development of productivity in activities of the informal and rural sectors in order to make these sectors competitive and capable of creating the largest number of productive and decent jobs.

## ***Productivity and Competitiveness as enabler to achieving the objectives of AU Sectoral Development Policies***

Africa has adopted a series of continental policies for sustainable development on industrialization, intra African trade, minerals, agriculture, infrastructures, public governance, social policy, employment promotion and poverty alleviation, human rights and democracy, youth and women empowerment, etc. The productivity profile of Africa will necessarily impact on the pursuit and success of these policies, as it is the case in other regions of the world, like Asia and Europe which initiated the international efforts in promoting productivity.

### ***Lessons and Benchmarks from other Regions of the World***

These regions are supported by effective regional productivity organizations, i.e. the Asian Productivity Association (APO) and the European Association of National Productivity Centers (ANPC). In 1961 Japan, Taiwan, Korea, Nepal, Pakistan, the Philippines and Thailand agreed to establish the Asian Productivity Organization (APO) as an inter-governmental institution to facilitate a regional flow of information on productivity. Its goal was to act as a non-political catalytic agent in enhancing the Asian economy through mutual cooperation in improving productivity. The establishment of the APO and the initiatives of political leaders in Asia sparked a surge of national productivity movements in the region with heavily government-funded productivity centers acting as catalysts in promoting the movement. This movement facilitated the accelerated enhancement of productivity and economic growth of East and South-East Asian countries during the 1970s, 80s and through the 90s.

The European Productivity Agency was established in Paris in 1953 to further pursue the goal of technological innovation, human dignity and inspiration for creating a better quality of life. A primary mission of the organization was to assist in restructuring the national economies through coordinated productivity-oriented activities. Observation of a rapid growth in productivity in Japan as a result of the movement during the 1950s and 60s, and the recovery of the economies of Europe, triggered the establishment of productivity centers in several countries in Asia. The success of the European productivity programmes and financial and technical assistance from the US started a similar movement in Japan in 1955. In Asia, the leading role in promoting productivity movement was being played by the Japan Productivity Centre (JPC).

Among the roles of the regional productivity organizations, we can indicate (i) promoting the productivity improvement and productivity culture, (ii) assisting member countries in productivity improvement through building their own capacities, technical cooperation assistance and experience exchange, (iii) dealing with attitudinal change and developing awareness among people involved in productivity improvement, (iv) productivity measurement, research, analysis and policy recommendations and (v) acquisition, processing and disseminating information.

### ***Africa contemplates to follow the other Regions of the World: the Pan African Productivity Association (PAPA)***

The institutional African infrastructure to promote productivity movement is still at the nascent stage, both at the national level with not more than 15 National Productivity Organizations (NPOs) than at the continental level with the PAPA as continental body having a limited membership of six NPOs.

Member States of the AU have been engaged in various efforts at promoting productivity at the national levels with some members establishing National Productivity Organizations (NPOs) as apex bodies for spearheading and coordinating productivity activities in their respective countries. Thus at the continental level, the institutional African infrastructure to promote productivity movement is still at the nascent stage.

It is in recognition of the important role productivity can play in accelerating economic growth and social development in Africa that some existing NPOs in African countries came together to establish the Pan-African Productivity Association (PAPA) with the objective of providing the necessary technical support, building the capacity of NPOs and acting as a forum for disseminating and sharing information to strengthen the productivity movement regionally as well as continent wide. Since PAPA's inception in 1992, the Association has identified its core focus as facilitating and advocating for the establishment of NPOs in the continent.

To facilitate and support its crucial role in productivity promotion at national, regional and continental levels, the PAPA has been granted by the African Union Commission with the status of Observer at the Labour and Social Affairs Commission. Despite its recognition by the AUC, the PAPA is still weak with only six active members countries to date. However, PAPA has made strident efforts in promoting productivity in Africa by engaging with international organizations such as the Asian Productivity Organization (APO) and the Commonwealth Secretariat, among others. The APO launched its African Program in 2006, with special funds from the Government of Japan. The African Program commenced with the Roundtable Conference for Promotion of the Productivity Movement in Africa, which was held in Sandton, South Africa, in August 2006. The program supports the productivity movement's activities in Africa in collaboration with the Pan African Productivity Association (PAPA). The APO has organized basic and advanced training courses for productivity practitioners for PAPA member countries, received visits from study missions from Africa to Japan in cooperation with the JPC, and participated in various forums to share its productivity expertise with African countries.

At the level of the Regional Economic Communities (RECs), the SADC Region is well advanced in creating its regional productivity centre, following the adoption of the SADC Productivity Programme. The ECOWAS region demonstrates interest to engage in the same venture, though it is still at the reflection stage.

### **The Renewed Political Commitment:**

The Productivity Agenda for Africa was adopted by the 7<sup>th</sup> Ordinary Session of the Labour and Social Affairs Commission, in April 2009. It has been endorsed by the Executive Council during its ordinary session in January 2010. In order to spearhead its implementation, the 8<sup>th</sup> Ordinary Session of the LSAC (Yaoundé, Cameroon, April 2011) recommended accelerating the creation of a continental body on productivity, as per the provision of the Productivity Agenda for Africa (PAFA).

The goal of the PAFA is to improve the quality of life the African people through productivity improvement. Its objectives are to (i) Increase value added, productivity and competitiveness of the African Economies; (ii) Facilitate the improvement of productivity culture of people in Africa; and (iii) Mobilize all relevant stakeholders at national, regional and continental levels for socio-economic development.

The following strategies were identified to ensure the attainment of the intended objectives.

- a) Promote Labour management relations within the enterprises/organizations;
- b) Promote productivity in key sectors of the economy, in particular the informal economy, SMEs, public/parastatal sector, industry and communities;
- c) Promote the use of productivity approaches, techniques, tools, and processes by all stakeholders;
- d) Encourage and support the setting up of NPOs and strengthening of existing ones in member states;
- e) Establish continental and regional infrastructures to drive and coordinate the productivity movement in Africa;
- f) Establish and maintain strategic partnership with international and regional institutions.

In January 2010, the 14<sup>th</sup> Ordinary Assembly of Heads of States and Governments endorsed the Productivity Agenda for Africa. The Productivity Agenda for Africa underscored the need for a Governance Structure and Institutional Arrangement for Enhancing Productivity Movement in Africa. It proposed an institutional framework to implement the Productivity Agenda of Africa through the setting up of an African Productivity Council (APCO) as the Continental Productivity Organization to spearhead the enhancement of the productivity movement in Africa. Once adopted as institutional framework in guiding the implementation of the Productivity Agenda in Africa, the policy and governance rules of the ACPO will be defined and proposed to the AU organs for approval.

### ***Methodology towards establishment of an African Productivity Governing Body: the African Productivity Council (APCO)***

Just as in establishing an efficient, effective and competitive private enterprise, the establishment of a very important organization such as an a Regional Productivity Organization in Africa requires a thorough feasibility and sustainability assessment, backed-up with well thought-out corporate strategy and business plans. In order to provide detailed and complete insight to the issue, the 8<sup>th</sup> Ordinary Session called upon the AUC to “**conduct a study on the technical and financial feasibility of a Continental Governing Body for Productivity**”. The AUC was also urged to “**facilitate the mobilization of the resources required for the implementation of the Productivity Agenda for Africa**”.<sup>2</sup>

To this effect, an assessment was done by the AUC in collaboration with the PAPA. The assessment is based on the AU-PAFA provisions on the institutional framework (the African Productivity Council), the analytical work effectuated by the PAPA and the ILO, as well as experiences on the establishment and functioning of the Asian Productivity Organization (APO) and the European Association of National Productivity Centers. Proposals are made on the mission statement of the African Governing Body on Productivity, its roles and activities, and its organizational structure. Financial evaluation scenarios are made taking into account a potential Business Plan and alternative organizational structures. The

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<sup>2</sup> Report of the 8<sup>th</sup> Session of the Labour and Social Affairs Commission of the African Union, EX.CL/ (XIX), Malabo, July 2011

proposals were shared with international partners through the Regional Coordination Mechanism Sub Cluster on labour and employment.

## ***The African Productivity Council (APCO)***

### **Mission Statement for the *African Productivity Council (APCO)*:**

Its mission is to contribute to the socio economic development of the continent and poverty alleviation through facilitation of the implementation of the AU Productivity Agenda for Africa in order to enhance productive capacity on the Continent, while providing scientific and technical support at continental, regional and national level. It should contribute to inclusive growth and social cohesion, and the building of developmental states in the continent.

The African Productivity Council will be very instrumental and decisive in achieving the competitiveness of African economies, by bringing value adding contribution to the implementation of the AU Policies on industrialization, trade, infrastructures, agriculture, Youth and Women Empowerment, ICT and education.

### **Key Roles of the APCO:**

The continental Body will pursue its mission through ensuring the following key roles:

Think tank role: Research and Survey to collect, analyze data and information on emerging challenges for follow-up, and establish knowledge management capacity in the continent in support to its technical assistance and experts services to its member economies

Catalyst role: support networking inside and outside Africa; expand throughout the continent productivity movement and culture, engaging with and mobilizing key governmental and non state stakeholders. This role entails strong advocacy and awareness raising activities towards policy and decision makers in governments, RECs, Private Sector, NGOs and CSO and the international community.

Regional adviser role: surveys the economic and development policies and performance of each member and assists in formulating strategies for achieving enhanced productivity and competitiveness, policy analyst helping create the policy and regulatory environment conducive to continuing productivity improvement .

Institution capacity building role: assists in set up of regional and national productivity organizations, strengthens the existing the national productivity organizations and other related institutions, technical expert services provision to the public and private sectors.

Clearinghouse role: facilitating information dissemination and exchange at all levels.

**Membership:** The membership of the APC is composed with the AU Member States, the Social Partners and the Regional Economic Communities.

**Business Plan:** priority interventions and core programmes

The Business Plan will be developed by the regional body and submitted to the LSAC, the Conference of the AU Ministers of Finance and Economic Development, and other competent AU organs.

The Business Plan will cover the following priority intervention fields and core programmes and services to be undertaken:

- a. Productive Capacity Building Programme in the SMMEs, Agriculture and Public Sector
- b. Green Productivity programme
- c. Support set-up and enhancement of national and regional Productivity Organizations
- d. Develop Productivity and Competitiveness Measurement Systems, and Research and knowledge Programme
- e. Develop Strategic Partnership, in particular with APO and APO members
- f. Advocacy and Awareness Campaign towards AU Member States, RECs, Private and Public Sectors,
- g. Green productivity
- h. Promote membership of the AU Member States
- i. Promote entrepreneurship and Innovation
- j. Resource mobilization.

### **Governance Structure and Institutional Arrangement for Enhancing Productivity Movement in Africa**

The proposed institutional framework to implement the Productivity Agenda of Africa includes the setting up of an African Productivity Council (APCO) as the Continental Productivity Organization to spearhead the enhancement of the productivity movement in Africa. The Governance Structure of the APCO is based on the principle of tripartism and is comprised of the following organs:

- i. AU Conference of Ministers of Labour and Social Affairs
- ii. Governing Board
- iii. Work Groups
- iv. APCO Secretariat, and AUC Liaisons

The composition and attributes of each of these organs is examined below.

#### **I. The AU Conference of Ministers of Labour and Social Affairs**

The functions of the LSAC shall be to:

- i. Issue directives with regard to the activities of APCO;
- ii. Ensure the supervision, follow-up and evaluation of the implementation of activities and programs of APCO;
- iii. Submit to the Policy Organs of the AU reports and recommendations on the implementation of the activities and programs of APCO.

#### **II. The Governing Board**

##### **Membership:**

The Governing Board (GB) is the supreme organ of the APO, with the responsibility to provide leadership, direction and oversight regarding APCO activities. It also holds responsibility to check on the performance of the Organization and interest of all stakeholders in productivity been addressed. It shall meet once a year to allow it to fully consider all relevant business and receive all required reports from relevant structures. However, extra ordinary Board meetings

may be convened in accordance with the Rules of Procedure for Statutory Meetings of the APCO.

It is a tripartite committee.

Members of the GB are elected by the LSAC and will comprise of:

- Chairperson from AU (Minister of Labour/ or alternately from Ministers in charge of Labour/Employment and Ministers in charge of Finance and Economy);
- 5 Members from AU (Minister of Labour and Minister of Finance/Economy) and representing the 5 regional Economic Communities;
- 1 Representatives of the continental labour unions;
- 1 Representatives from continental employer's federation;
- Representative of the AU Conference of Ministers in charge of Agriculture, Industry and Trade, Education and Infrastructure.
- Observers from International Partners like ILO, ECA, UNIDO, World Bank, AfDB, APO, etc.

### **Functions:**

The Governing Body decides on APCO policies, strategies, directions, and membership; approve the rolling two-year plan and annual programs; lay down guidelines for the ensuing fiscal year's program; and approve the budget and financial guidelines.

The Governing Body meets annually to receive the Secretariat's annual report and the auditor's financial report.

In specific, it ensures the following functions:

- i. Identify, propose and seek authorization on policies and procedures from the APCO;
- ii. Provide strategic direction to the Secretariat;
- iii. Examine decision proposals made and submitted by the Secretariat and forward with its recommendations to the supreme organ (LSAC);
- iv. In consultation with the AUC, appoint and dismiss the Secretary General;
- v. Propose the amendment of statutes of the Institute;
- vi. Examine and approve the APCO plan of action, budgets, activity and performance reports, audited accounts and any matter within its competence and beyond the competence of the Secretary General.
- vii. Oversee the execution of the host agreement between the host country and the AUC;
- viii. Ensure that the productivity agenda is integrated with other continental development agenda;
- ix. Assist the APCO Secretariat to mobilize funds;

- x. Submit reports to the Supreme Organ on activities and achievements of APCO;
- xi. Adopt its Rules of Procedure.

### **III. The APCO Secretariat:**

#### **Structure of the Secretariat:**

The APCO Governing Body is supported by the APCO Secretariat. The Secretariat is the executive arm of the APCO and is headed by a Secretary-General supported by an Administration and Finance Unit. The APCO has four professional Units: (i) Research and Knowledge Management; (ii) Industry, Trade, Services, Public Sector and Infrastructures; (iii) Agriculture, Informal Economy and Green Productivity, and (iv) Productivity and Competitiveness Measurement.

#### **Functions of the Secretariat:**

The Secretariat carries out the decisions and policy directives of the Governing Body. In collaboration with the NPOs, it plans and implements the rolling two-year plan and annual programs. The Secretariat also undertakes joint programs with other international organizations, governments, and private institutions for the benefit of its members.

In specific, the Secretariat undertakes the following functions:

- i. Provide technical assistance to AU Member States and RECs to develop productivity policies, programs, systems and structures;
  - ii. Develop Productivity Knowledge Management system;
  - iii. When the need for specific research is required, the Secretariat is looking for a solution either producing or outsourcing it to a relevant research center within the region or outside;
  - iv. Develop, and implement strategic advocacy programs and stakeholder communication plans and network with all AU member states, interested donors, private sector organizations, to enhance profile and reputation and promote the positive image of the APCO;
1. The Secretary General of the APCO is the Chief Executive Officer of the APCO. She/he discharges the following duties subject to the directives of the Governing Board and the AUC:
- i. She/he is in charge of the overall management, i.e., main activities, administrative services and personnel of the APCO;
  - ii. Be the authorizing officer of the APCO budget;
  - iii. Implement the directives from both the Board and the AUC and report to them thereon;
  - iv. Prepare the program of activities, the financial and operational report of the APCO;

- v. Prepare and submit to both the Board and the AUC the Draft Budget, Activity Report, Rules of Procedure of the various organs and the Plan of Action of APCO for consideration and approval;
- vi. Attend all meetings of the Governing Board and act as its Secretary;
- vii. Perform any other functions in line with the objectives of APCO.

During the 1<sup>st</sup> implementation phase of 5 years, the Secretariat will outsource and fund the following at the commencement of its activities: Productivity Knowledge Management (PKM) will be the responsibility of the S.A NPI; Entrepreneurship programme will be the responsibility of Mauritius and Public Sector Productivity Programme will be under the responsibility of the Botswana Productivity Centre. There is possibility to task the Kenyan Productivity Centre on a special programme on Productivity and Quality management in the Health System. Member States could be providing support through their existing technical cooperation programme, such as South Africa.

### **Staffing of the Secretariat:**

The management of the secretariat consists of:

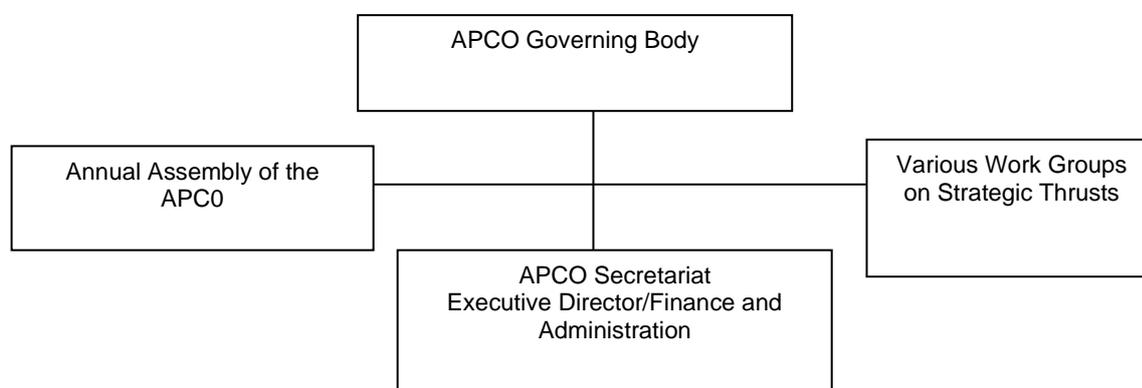
- 1 Secretary General
- 1 senior expert on Industry, SMEs and Green Productivity
- 1 senior expert on Agriculture
- 1 senior expert on the Informal Economy
- 1 senior expert on Productivity and Competitiveness Measurement Systems
- 1 finance and administrative officer
- 1 administrative assistant
- 1 driver

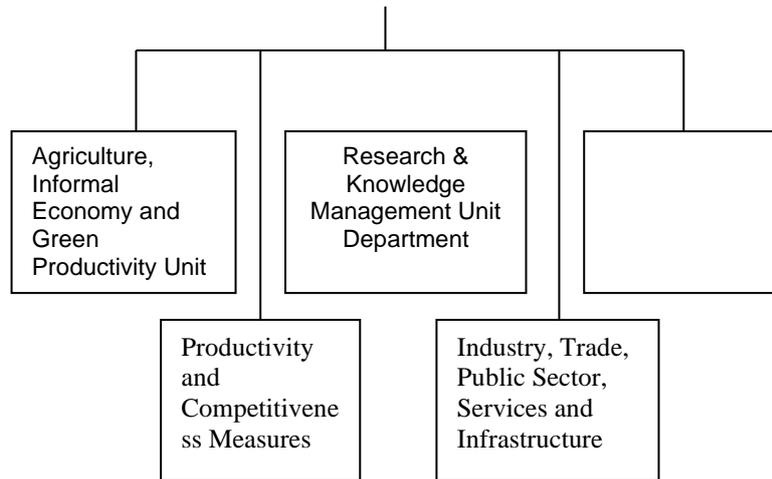
The Secretariat will be supported by Liaison officers or Focal Points at the AUC, in the priority areas of trade and industry, agriculture, economic affairs, labour and infrastructure.

### **IV. ACPO Council and Work Groups**

- Council members including President, Vice President, etc will be selected for each term of service.
- Work Groups led by council members could be established from time to time with representatives from various members to address areas of specific interest like measurement of productivity in Africa, Agriculture, Community Health, etc. They will be supported or work with the ACPO Secretariat.

Below is a structure proposal on the proposed ACPO.





## **FUNDING MECHANISMS TO FINANCE THE APCO**

2. The APCO Secretariat would be financed through different possible mechanisms. It should be financed through:
  - i. Resources from the host country;
  - ii. Contributions from AU member economies;
  - iii. Contributions from international development organizations;
  - iv. Contributions from the Private Sector
  
3. APCO could offer fee based services as a way to build and develop its self-sufficiency. The following could be revenue generating mechanisms:
  - i. Fee based services, especially for services provided to the private sector;
  - ii. Publications;
  - iii. AU member state's co-financed technical assistance services;
  - iv. Sponsorship by donors/ international development partners;