

Annual report of the Secretary-General

At each Governing Body Meeting (GBM), the APO Secretary-General gives an annual report on performance in the previous year, future activities, and general organizational policy initiatives. At the 26–28 June GBM in Ulaanbaatar, his report focused on the Secretariat Reform Plan, efforts to balance administrative and project costs, and strengthening relations with other regions and organizations to improve APO programs. Secretary-General Shigeo Takenaka's report is summarized below.

After welcoming all the delegates attending the 49th GBM, Secretary-General Takenaka expressed sincere appreciation to the Government of Mongolia for hosting the meeting. He also conveyed gratitude to Mongolian President Nambaryn Enkhbayer for his encouraging message and to Minister of Industry and Trade Dr. Tseren Davaadorj for gracing the inaugural session. He thanked APO Director for Mongolia and Chairman and CEO of the National Productivity and Development Center (NPDC) Dr. Pagvajav-Un Shurchuluu and his able staff for their warm hospitality and excellent arrangements for the meeting. Secretary-General Takenaka also congratulated the NPDC on its 15th anniversary, saying that, "I am sure that in the years ahead it will continue to evolve to remain at the forefront of the productivity movement in the country."

The Secretary-General reported that several significant changes had been initiated under the Secretariat Reform Plan, the most important of which was reorganization from six to four departments. In parallel with the reorganization, the layout of the office was rearranged, which also helped to avoid a rent increase and facilitate interactions among staff.

The Secretary-General then touched upon the introduction of a new performance appraisal system as a part of the reform plan. The appraisal system will be based on management by objectives and scheduled to become operational from July 2007 on a trial basis. The system will link staff salary adjustments with work performance, and it is expected that the system will also encourage teamwork among staff to generate synergistic outcomes for the benefit of member countries. The Secretary-General noted that the Secretariat



Secretary-General Takenaka

had submitted a proposal for revisions in the *Staff Regulations and Rules*, including the Table of Salary Scales, that would be necessary under the new performance appraisal system and expressed the hope that the proposal would receive full endorsement from the GBM.

Secretary-General Takenaka summarized the efforts that the Secretariat had initiated for better financial discipline and management. He reported that for greater clarity, efficiency, and accountability, the Secretariat had standardized the financial procedures in several key areas. He mentioned the recent introduction of quarterly closing of accounts within three months after project implementation, with the expectation that this change would help the Secretariat to monitor the disbursement of project funds in a timely manner and allow the utilization of available financial resources within the same fiscal year.

On the issue of restoring balance between administrative and project costs, the Secretary-General pointed out that the reform measures that he had described had brought immediate results in bringing down administrative costs. He also mentioned that in line with the new structure and size of the departments, the Secretariat had made corresponding changes in its personnel, which not only made the organization more vibrant but also helped to reduce salary payments considerably. The Secretary-General then explained how the Secretariat had avoided additional increases in administrative costs related to office rent.

Describing the performance-based salary system, Secretary-General Takenaka stated that after an

initial adjustment period, the results of the new appraisal system would be reflected in staff pay scales from 2009, effectively stopping automatic pay increases for the first time in many years. "This means that the new system will be implemented cautiously, and management intends to give the benefit of the doubt to appraisees, especially when we must consider downward salary adjustments," he said. The Secretary-General expressed confidence that this system would improve the balance between administrative and operational costs. Although he realized that the expected reduction in salary expenses would not be very large in 2008, he confidently predicted that a "fair-sized reduction" would have favorable effects on administrative costs during that year. It was expected that, with the results of personnel appraisals fully reflected in the 2009 Secretariat staff pay scales, the balance between administrative and project costs would improve significantly in 2009 and thereafter provided that no major changes were made in the total organizational budget or membership contributions.

Among continuing efforts to improve APO programs, Secretary-General Takenaka referred to a few initiatives that included a new two-tiered approach in the Development of NPOs Program, now divided into DON Strategy and DON Implementation; the Eco-products International Fair to be held in March 2008 in Vietnam; renewed emphasis on safety in the food sector; and shifting emphasis from Category A projects to Categories B and C. He then outlined efforts to revitalize the APO's research and planning function to deliver better think tank and advisory services. In this connection, he informed the GBM that the APO had already begun examining emerging concepts, ideas, and experiences related to productivity including the latest tools and strategies, while exploring new networks for expertise not only within but also beyond the APO region.

The Secretary-General said that the APO continued to explore every possibility to build and strengthen external relations with countries and organizations within and beyond the APO region. The international agencies with which the APO has forged ties include the ASEAN Foundation, Colombo Plan, ILO, World Bank, and OECD. He also reported that in 2006 four more projects had

been added with a fresh grant of one-half million dollars from the ASEAN Foundation for the joint initiative. That was a significant increase over the previous year and he believed that such mutually beneficial partnerships could continue, expand, and have a greater impact on the APO region.

Secretary-General Takenaka stated that the African Program initiated last year with the approval of the GBM had positioned the APO as an initiator of and contributor to the global productivity drive and cited a number of projects that had already been conducted under this program with the cooperation of member countries. He expressed gratitude to the Japanese government for financial support for the African Program and to the experts from member countries who contributed their time and knowledge in sharing experiences with African partners. In addition, he mentioned that four fact-finding missions had been dispatched outside the region in April and May this year to gather the latest know-how on the three focus areas of knowledge management, innovation, and competitiveness. The results will be translated into useful inputs for future APO activities.

Greater private-sector participation in projects was another key area in improving APO programs, the Secretary-General noted. He pointed out that since the previous GBM had approved an amendment in project regulations governing the payment of airfare for private-sector participants, their number had continued to rise. During the first few months of 2007, 22% of project participants represented that sector, up from fewer than 10% before the airfare regulation was amended. "I hope that NPOs will continue to submit more nominees from the private sector for participation in APO activities," Takenaka said.

The Secretary-General concluded his report by pointing out that, "The productivity movement must evolve along with the changing environment. The most important task facing us is to find creative and innovative responses to new challenges to the productivity movement so that the APO can continue to play a key role in shaping the remarkable progress and development in the region of which we are justly proud." 