



## PROJECT NOTIFICATION

Ref. No.:21-RC-12-GE-RES-B-PN2100014-001

<b>Date of Issue</b>	09 March 2021
<b>Project Code</b>	21-RC-12-GE-RES-B
<b>Title</b>	APO-OECD Review of Long-term Productivity Growth Statistics and Estimating Methods
<b>Timing and Duration</b>	April–December 2021 (nine months)
<b>Hosting Country(ies)</b>	Not Applicable
<b>Modality</b>	Digital Multicountry (DMC)
<b>Implementing Organization(s)</b>	APO Secretariat
<b>Participating Country(ies)</b>	Not Applicable
<b>Overseas Participants</b>	Not Applicable
<b>Local Participants</b>	Not Applicable
<b>Closing Date for Nominations</b>	Not Applicable

## 1. Objectives

- a. Develop a new concept of productivity measurement incorporating gains stemming from digital technology applications.
- b. Examine the possibility of integrating forward-looking perspectives into a productivity measurement index indicating the ability of an economy to sustain its productivity growth in the long run.
- c. Promote collaboration with international agencies and renowned research institutions to provide solutions to current global productivity issues.

## 2. Background

An unprecedented rate of technological progress, mostly attributed to the IT revolution, has brought new challenges in measuring economic production and its efficiency. The digital era has already resulted in significant increases in the variety and quality of products and services available, along with decreases in their prices. Digital products and services and the digitization of currently nondigital ones such as a measurement in the manufacturing sector being converted from a manual or mechanical reading to an electronic one are likely to bring about productivity and efficiency gains.

Existing economic and productivity measurement systems, however, do not adequately reflect the gains resulting from digital services. A significant portion, estimated at around 27%, of the benefits coming from free digital services/products such as search engines, real-time traffic apps, instant messaging, etc. is not accounted for in productivity measurement. This is a typical “productivity paradox,” a term famously coined by Robert Solow in 1987. It implies that existing productivity measurement approaches may not be evaluating it correctly. While representing clear value to consumers and occupying an increasing share of consumption, the exclusion of digital products and services from the standard GDP accounting may obscure information on real economic activity and performance since GDP growth is reported to be slow while consumer welfare improves.

It is also important to view productivity improvement as a forward-looking concept in which what counts is not only how productive we are at a certain point in time but also our prospects for continuous productivity gains in the future. It would be beneficial to broaden the scope of traditional productivity measurement so that it can show the sustainability of productivity and efficiency gains. It is necessary to maintain productivity improvement over time to sustain economic growth. Furthermore, in a fast-changing global environment, innovation or quality improvement that is not forward-looking toward the future may only yield limited, short-term benefits. The disruptive nature of technological progress requires the integration of an economy’s external context and dynamics into its internal innovative processes to meet needs and expectations in the long term.

This joint research with the OECD, with the findings to be published in a report format, is an effort under the APO Vision 2025 under Strategic Thrust 5: Step up think tank and advisory services, specifically thrust 5.1: Reinforce the APO’s status as a trusted reference on all productivity matters and statistics in the Asia-Pacific and thrust 5.2: Promote evidence-based policy advisory services. It will also promote the centrality of productivity.

National statistics offices (NSOs) in APO member countries are crucial to evidence-based policymaking since they are best placed to provide the most reliable inputs on productivity. Therefore, the research findings will serve as a cornerstone for NSOs, which will contribute to improving evidence-based policymaking in APO member economies.

This requires additional resources, both for the research design and collection of new data sources and for the derivation of the productivity measures themselves. Hopefully, the report will provide momentum in that direction. For this purpose, in October 2019, the APO and OECD signed a Memorandum of Understanding (MOU) as part of a collaboration to develop improved, more comparable productivity statistics across APO and OECD member economies and to enable a better understanding of the drivers of productivity performance and factors affecting its sustainability.

Phase 2 of this collaboration will focus on the determinants of multifactor productivity (MFP) growth. It will include an overview of the main drivers of MFP growth identified in the economic literature, a comparative analysis of different measurement approaches, and an assessment of the relevance of different drivers across countries. The report will also address the impact of the COVID-19 crisis and restrictions enforced to control it on productivity growth and firms/human capital.

### **3. Modality of Implementation**

The project coordination activities among experts will be held virtually.

### **4. Scope and Methodology**

#### **Scope**

- a. Determinants of MFP growth.
- b. Overview of the main drivers of MFP growth identified in the economic literature.
- c. Comparative analysis of different measurement approaches.
- d. Assessment of the relevance of different drivers across countries.
- e. Analysis of how the recession is likely to affect productivity growth in the short term, due to cyclical effects, and in the long term, due to its impact on firms and human capital in light of the COVID-19 pandemic.

#### **Methodology**

This review will be jointly conducted with the OECD. It will involve one chief expert and four in-house experts to conduct in-depth analyses by utilizing the most current data as well as referring to relevant literature and materials.

#### **Experts' tasks**

- a. Develop the research agenda.
- b. Achieve the intended objectives.
- c. Manage the research team and agenda in line with the overall research objectives.
- d. Maintain regular communication with the APO Secretariat regarding project implementation and giving updates on its progress.
- e. Prepare the final report for publication.
- f. Contribute to the dissemination phase of the research project.

### **5. Qualifications of Experts**

The designated research team from the OECD must have demonstrated the necessary experience, educational background, qualifications, and professional contributions to the topic. The experts should be experienced specialists in productivity and economic activity measurement and data analysis, particularly in the relationship between the digital economy and productivity, and preferably with experience in developing national and/or international economic indexes and/or statistical work on productivity.

## 6. Financial Arrangements

- a. The APO will meet honoraria for experts engaged in the research.
- b. The OECD will publish the results following the agreed schedule.
- c. Payments for travel and any other costs, where applicable, must be specifically for research-related activities and follow the APO regulations.

A handwritten signature in dark ink, appearing to read 'Mochtan', with a long, sweeping flourish extending upwards and to the right.

Dr. AKP Mochtan  
Secretary-General