

## Executive Summary

The Budget and Management Committee (BMC) met on 29 February 2008.

The BMC recalled the stipulation by Leaders in 2007 that the 30 per cent increase in member contributions be accompanied by more efficient, accountable and transparent budget processes. The BMC agreed that it should take a more active and strategic role, notably:

- strengthening budget related policy work in support of priorities set by Leaders and SOM
- intensifying oversight of the Secretariat, including on budget reforms and related to the staff structure review
- improving project approval processes.

The BMC registered concern about the forward budget projections - which show growing budgetary pressure – and agreed on the imperative of working closely with the Secretariat and SOM to identify savings and efficiencies going forward.

The BMC decided to refer for SOM consideration the issue of whether to develop an employment policy for the APEC Secretariat.

It is **recommended** that the SOM : -

- a) endorse the BMC's approach to its responsibilities as outlined in the BMC workplan for 2008, and note the BMC report.

**Report by the Budget and Management Committee Chair for 2008  
to the First Senior Officials Meeting of the  
Twentieth APEC Ministerial Meeting  
Lima, Peru  
29 February 2008**

Mr Chairman,

The BMC met on 29 February 2008 (since its last report to CSOM in 2007). This report outlines the proposed direction of the BMC in 2008 and seeks SOM endorsement for the proposed BMC work plan for 2008, and for SOM to note business transacted inter-sessionally.

**I. REPORT OF BMC 1 2008**

2. The Chair welcomed the large number of Senior Officials present at the meeting as a strong signal of the importance attached to budgetary oversight.
3. The Chair recalled the mandate of the BMC to advise SOM on APEC's budget structure, administrative issues and its management and operations.
4. The Chair underlined the stipulation by Leaders in 2007 that the 30 per cent increase in member contributions be accompanied by more efficient, accountable and transparent budget processes. Members agreed on the important role of the BMC in ensuring that this occurred.
5. Members agreed that the BMC needed to adopt a more active and strategic role, notably in three key areas:
  - **strengthening budget related policy work** in support of priorities set by Leaders and SOM, including
    - effective and efficient use of existing budget resources dedicated to APEC's communications and outreach strategies
    - development of guidelines and establishment of clearer assessment criteria related to gender based aspect of project approval process (China agreed to lead)
    - exploration of the development of a policy for more strategic and long-term projects in APEC (United States agreed to lead)
    - exploration of mechanisms for the review of the effectiveness of projects, including possibly through strengthened evaluation and auditing processes (United States agreed to lead)

- exploration of options to possibly address exchange rate fluctuations related to APEC's budget (New Zealand agreed to lead)
- **intensifying oversight of the APEC Secretariat**, including:
  - implementation of budget reforms agreed by Leaders (eg. quarterly reporting and introduction of a fixed asset replacement program)
  - consideration of new budget reforms (eg establishing separate bank accounts for the Administrative Account and the Operational Account)
  - working with the Secretariat on budget discipline and efficiency aligned to priorities set by Leaders and SOM
  - effective implementation of the APEC Secretariat staff restructuring (following the review in 2007).
- **improving project approval processes**, notably:
  - working with the APEC Secretariat to further develop its proposal for more timely and effective project approval processes.

6. Members agreed to advance work in these areas intersessionally. They agreed to a work plan for 2008 that reflects these priorities. **The BMC recommends that SOM endorse this work plan - attached at Annex 1.**

7. BMC discussed a proposal to develop an employment policy for the APEC Secretariat, essentially restricting employment to residents of APEC members. There was a general view that non-policy positions at the Secretariat should be unrestricted and that policy positions were traditionally filled from APEC member economies, while some economies emphasized the importance of developing a clear employment policy. The Chair noted this arrangement was current practice, which could amount to a de-facto policy. **There was agreement to refer this issue for SOM consideration.**

8. The Executive Director briefed BMC the Secretariat's Operation Plan for 2008, the outlook for the 2008 Administrative Account and on the forecast for 2008 – 2012 Administrative and Operation Accounts.

9. The Executive Director underlined that the budget projections indicated APEC's budget would come under increasing pressure, and be in deficit by almost \$1 million by 2012. He outlined measures being taken by the Secretariat to reduce costs and emphasized that budget savings and efficiencies would continue to be sought as a priority - including to respond to unforeseen budgetary contingencies (eg exchange rate movements and fluctuating oil prices). He underlined that the Secretariat was committed to continuous improvement in this area.

10. Members agreed that the budget outlook was serious and required a robust assessment of possible areas to achieve savings and efficiencies, including but by no means limited to:

- travel requirements and costs
- staff structures and activities
- use by APEC members of the Secretariat's facilities in Singapore (eg more APEC meetings in Singapore)
- virtual meetings (eg e-mail, teleconferencing)
- possible consideration by SOM of reducing APEC's meeting schedules, and number of working groups.

There was agreement that the BMC needed to work closely with the Secretariat throughout 2008 to explore possible options to improve the budgetary outlook. There was agreement that this was particularly important in light of the recent increase of member contributions of 30 per cent, including on the basis that further contributions from members in the short to medium term were highly unlikely.

11. Members agreed to form a small working group to assist the BMC and Secretariat explore options to improve the budget outlook, and submit recommendations for BMC consideration by mid 2008. The Chair called for expressions of interest in joining this working group to be made to the Chair intersessionally.

12. The Secretariat updated the BMC on its concept note on the Project Approval and the Fund Disbursement Process. Members broadly supported the concept but agreed that it remained a work in progress with a range of issues to be addressed before the issue could be brought forward as a proposal for BMC consideration. Members agreed to the formation of a small working group drawn from BMC members to assist the Secretariat's work in this area. The Chair called for expressions of interest in joining this working group to be made to the Chair intersessionally.

## **II. BUSINESS TRANSACTED INTER-SESSIONALLY**

Since the last BMC's last report to CSOM in September 2007, the Committee has transacted a number of issues inter-sessionally and they are summarized in [Annex 2](#).

## **III. BUSINESS TO BE TRANSACTED AT BMC2**

The BMC will hold its second meeting in 2008 at the APEC Secretariat in Singapore on 17-18 April 2008.

Patrick Suckling  
BMC Chair 2008

## **Budget and Management Committee (BMC) – Work Program 2008**

In line with its Ministerial mandate, the BMC in 2008 will:

- Advise the SOM and make recommendations to it on matters concerning APEC's annual budget structure, administrative issues and its management and operations.
- Provide strategic direction to the APEC Secretariat on budget efficiency, accountability and transparency and associated reforms – including:
  - exploration of further measures to strengthen budget management (eg separate bank accounts for each APEC budget account, project approval on actual basis)
  - implementation of robust reporting requirements (eg quarterly reporting of financial reports, timely provision of budget and management reports to BMC and introduction of a fixed asset replacement program)
  - working with the Secretariat on budget discipline and efficiency aligned to priorities set by Leaders and SOM
  - exploration of options to possibly address exchange rate fluctuations related to APEC budget
- Restructure the BMC's schedule of meetings, including:
  - strengthening BMC support to the SOM and Secretariat, extending to policy and planning advice and direction
  - to pilot the Secretariat's proposal to streamline project approval processes for more timely and effective processes
  - but subject to a review of the effectiveness of the restructure at end-2008.
- Provide policy advice to SOM and the APEC Secretariat, including:
  - support to APEC reform efforts (eg support the review of communications strategy and ensure effective and efficient use of existing budget resources)
  - implementation of the outcomes of the review of the Secretariat's structure
  - working closely with the Project Management Unit to ensure ongoing reform of project management processes, including:
    - contributing to the Secretariat's objective of improved project funding allocation

- exploration of the development of a policy for more strategic and long-term projects in APEC
  - exploration of mechanisms for the review of the effectiveness of projects, including possibly through strengthened evaluation and auditing processes
  - development of guidelines and establishment of clearer assessment criteria related to gender based aspect of the project approval process
  - engaging the stakeholders including APEC fora and the private sector in improving the quality and effectiveness of APEC projects
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- Approve project proposals in line with APEC policy priorities and SOM instructions.

**BUDGET AND MANAGEMENT COMMITTEE  
BUSINESS TRANSACTED INTER-SESSIONALLY**

**September 2007 to February 2008**

**Approval of new projects for ASF**

In December 2007, BMC approved the allocation of funds to 15 new ASF projects for 2008 to the total value of US\$ 1,405,139. The list of projects is summarised at **Appendix 1**. There were no intersessional approval of OA and TILF projects.

**Extension of Disbursement Deadlines**

There were 18 requests approved for the extension of disbursement deadlines in December 2007 and January 2008. Projects approved to be extended are listed as follows -

<b>Project</b>	<b>Title</b>	<b>Extension</b>
TPT 02/2005T	Enhancing Secure Trade and Efficiency in the APEC Region with Intelligent Transportation Systems (ITS) and Electronic Commerce Technologies. Phase 3-5: An Evaluation of the Economics of Trade Security Enhancement via the Smart and Secure Trade Lanes (SST) Initiative	April 08
EWG 05/2006	How Can Environmental Regulations Promote Clean Coal Technology Adoption in APEC Economies?	February 08
FWG 02/2006	Aquaculture Network for the Americas (ANA): Preparing Phase I	June 08
MRC 03/2006	Satellite Application in Knowledge-based Economies (SAKE)	March 08
TEL 01/2006	Strengthening Effective Response Capabilities among APEC Economies	May 08
TEL 04/2006	Judge and Prosecutor Cybercrime Capacity Building Project	May 08
TPT 05/2006	Examination of the Role of Sediment in Ship Source Introductions of Aquatic Invasive Species in the APEC Region	November 08

<b>Project</b>	<b>Title</b>	<b>Extension</b>
ATC 01/2006T	Market Liberalization and its Relationship with Market Structure, Conduct and Performance of Selected Food Processing Industry of APEC Member Economies	April 08
CTI 04/2006T	APEC Seminar on WTO Trade Facilitation	December 08
CTI 06/2006T	Trade Facilitation: Time Release Survey	December 08
CTI 15/2006T	Peer Review Assessment of Quality Systems in National Metrology Institutes	December 08
CTI 21/2006T	Phase II – Adoption of Quality Management Systems (ISO/TS16949) in Auto Parts and Components Industry	June 08
EWG 01/2006T	APEC 21 <sup>st</sup> Century Renewable Energy Development Initiative (Collaborative VIII): Local Banks Training Program for Financing Energy Efficiency and Renewable Energy Projects	March 08
HRD 01/2006T	New Corporate Procurement Strategy on Trade in Goods and Services in APEC Region: Supply-chain Options with CSR Perspective	March 08
TWG 01/2006T	Tourism Impediments Stage III	March 08
EWG 01/2006A	The Future of Liquid Biofuels for APEC Economies	May 08
HRD 06/2006A	Symposium on “Brain Circulation and Diaspora Option: Policy Responses for Migration of Skilled Workers among APEC Member Economies”	June 08
HRD 07/2006A	A Workshop on the Comparability of Qualifications in the Health Sector within the APEC Region	December 08

**Meeting schedule of BMC and project submission deadlines**

. In February 2008, the BMC agreed intersessionally the meeting schedule and the project submission deadlines as set out at follows -



**A. Dates of meeting of BMC**

- a. BMC1 – 29 February 2008, Lima, Peru
- b. BMC2 – 17-18 April 2008, Singapore
- c. review process intersessionally in the lead up to SOM 3
- d. BMC3 – 22-23 October 2008, Singapore

**B. Project submission deadlines**

- a. Submission of projects for funding approval at BMC2 (17-18 April)

7 March	Deadline for submission of project proposals to the Secretariat
21 March	Secretariat Project Assessment Panel completes assessment. Comments to be sent to proponents for improvement, if necessary
28 March	Deadline for final submission of revised projects. Project proposals be uploaded for BMC consideration
3 April	Secretariat's recommendation be circulated
17-18 April	BMC meets and considers funding applications

- b. Submission of projects for funding approval at BMC 4 (22-23 October)

4 September	Deadline for submission of project proposals to the Secretariat
23 September	Secretariat Project Assessment Panel completes assessment. Comments to be sent to proponents for improvement, if necessary
1 October	Deadline for final submission of revised projects. Project proposals be uploaded for BMC consideration
8 October	Secretariat's recommendation be circulated
22-23 October	BMC meets and considers funding applications

**Establishment of an ASF sub-fund**

In response to Hong Kong, China's contribution to support capacity building activities/initiatives contributing to the implementation of the Second Trade Facilitation Action Plan (TFAP II), the BMC agreed to establish an ASF sub-fund to manage the contribution for such purpose in February 2008.

**ASF General Fund****(I) WORKING GROUPS****AGRICULTURAL TECHNICAL COOPERATION**

- 1 Application of New Technologies to Improve and Harmonise Training Standards in the Management of Fresh Post-harvest Quality of Fruit and Vegetables in Developing APEC Economies. Part II: Development of Multilingual Training Modules
- 2 Workshop on Understanding and Developing Risk Management Options for Market Access

Project Code	Fund Requested US\$	Decision	Provision Recommended US\$	Note
	<b>205,550</b>		<b>205,550</b>	
ATC 02/2008A	108,150	A	<b>108,150</b>	
ATC 12/2008A	97,400	A	<b>97,400</b>	1

**ENERGY**

- 1 Planning and Cost Assessment Guidelines for Making New Coal-Fired Power
- 2 APEC 21st Century Renewable Energy Development Initiative (Collaborative IX) : Workshop and Report on Implications of Bio-refineries for Energy and Trade in the APEC Region
- 3 Assessment of the Capture and Storage Potential of CO<sub>2</sub> Co-produced with Natural Gas in South-east Asia
- 4 Study of Employment Opportunities from Biofuel Production in APEC Economies
- 5 Case Studies of LNG Public Education and Information Campaigns in APEC Economies and Development of Best Practice Guidelines
- 6 Assessment of Biomass Resource Elasticity in APEC Economies

	<b>382,210</b>		<b>302,710</b>	
EWG 01/2008A	77,700	A	<b>77,700</b>	
EWG 05/2008A	50,000	A	<b>50,000</b>	2
EWG 06/2008A	85,010	A	<b>85,010</b>	
EWG 07/2008A	45,000	A	<b>45,000</b>	
EWG 10/2008A	79,500	C	<b>0</b>	
EWG 16/2008A	45,000	A	<b>45,000</b>	

**HUMAN RESOURCES DEVELOPMENT**

- 1 Strategic Plan for English and Other Languages
- 2 APEC Edutainment Exchange Program toward building APEC Edutainment Park System for youth exchange
- 3 APEC Seminar on Strengthening Youth work and Youth structure in the APEC region

	<b>405,626</b>		<b>265,626</b>	
HRD 08/2008A	175,000	A	<b>175,000</b>	
HRD 09/2008A	140,000	C	<b>0</b>	
HRD 10/2008A	90,626	A	<b>90,626</b>	3

**2008 APEC SUPPORT FUND : DECISIONS ON PROJECT PROPOSALS**

Appendix to Annex 2

**SMALL & MEDIUM ENTERPRISES**

- 1 APEC Training course on Enhancing entrepreneurship skills for SMEs
- 2 Capacity-Building Seminar: Tax Administration

Project Code	Fund Requested US\$	Decision	Provision Recommended US\$	Note
	<b>156,324</b>		<b>156,324</b>	
SME 03/2008A	95,977	A	<b>95,977</b>	4
SME 04/2007A	60,347	A	<b>60,347</b>	5

**TRANSPORTATION**

- 1 Using more inland rivers in intermodal transport

	<b>60,000</b>		<b>0</b>	
TPT 01/2008A	60,000	C	<b>0</b>	6

**TASK FORCE ON EMERGENCY PREPAREDNESS**

- 1 Study Course on Disaster Emergency Response and Recovery

	<b>83,680</b>		<b>83,680</b>	
TFEP 01/2008A	83,680	A	<b>83,680</b>	7

**(II) COMMITTEES****COMMITTEE ON TRADE & INVESTMENT**

- 1 APEC-UNCTAD Joint Capacity Building Project for Addressing Knowledge Gaps in the Use of Foreign Direct Investment (Phase 1)

	<b>188,680</b>		<b>188,680</b>	
CTI 03/2008A	188,680	A	<b>188,680</b>	8

**Total for ASF General Fund (A)****1,482,070****1,202,570****ASF HUMAN SECURITY SUBFUND****(I) AD-HOC GROUPS/PROJECTS****TASK FORCE ON EMERGENCY PREPAREDNESS**

- 1 Dialogue among economies, business community and key international and regional partners on emergency preparedness

	<b>92,450</b>		<b>92,450</b>	
TFEP 02/2008A	92,450	A	<b>92,450</b>	9

**(II) COMMITTEES****COMMITTEE ON TRADE & INVESTMENT**

1. Critical Infrastructure and Support Systems Standardisation Project

	<b>110,119</b>		<b>110,119</b>	
CTI 02/2008A	110,119	A	<b>110,119</b>	10

**Sub-Total (B)****202,569****202,569****TOTAL ASF (A) + (B)****1,684,639****1,405,139****Legend**

- A -Approved  
B -Tentatively Approved  
C -Returned

Notes for ASF:

	Project No.	Remarks/Waivers
<b>ASF General Fund</b>		
1	ATC 12/2008A	Waivers for funding government officials from travel eligible economies and per diem for active participants are approved. Waiver for tender and award directly to CAB International is approved.
2	EWG 05/2008A	Waivers for funding per diem for active participants, government officials from travel eligible economies and advance payment of travel expenses for active participants are approved.
3	HRD 10/2008A	Waivers for funding per diem for active participants, government officials from travel eligible economies, advance payment for speakers, training course' s room rental, training materials and equipment rental and invite experts from non-APEC members and international organisations speakers are approved
4	SME 03/2008A	Waivers for funding per diem for active participants, government officials from travel eligible economies, advance payment for travel expenses, training course' s room rental, training materials and equipment rental and invite experts from non APEC members and international organisations speakers are approved
5	SME 04/2007A	Waivers for funding per diem for active participants, government officials from travel eligible economies and advance payment of travel expenses are approved. All travel expenses are to be reimbursed according to APEC Funding guidelines
6	TPT 01/2008A	Waiver for tender and award directly to Waterborne Institute of MOC, PRC is approved.
7	TFEP 01/2008A	Waivers for funding per diem for active participants is approved. Any outstanding issues relating to the quality of this project be addressed satisfactorily in consultation with the Secretariat.
8	CTI 03/2008A	Waiver for tender and award directly to UNCTAD is approved. Waivers for funding government officials from travel eligible economies is approved. Waivers for funding business class airfare for trip under 12 hours for senior official is approved.
<b>ASF Human Security Sub-Fund</b>		
9	TFEP 02/2008A	Waivers for funding per diem for active participants and government officials from travel eligible economies are approved. Honorarium for government officials is not allowable. Waivers for advance payment of hosting and equipment rental are approved Communication and stationery expenses are paid on a reimbursement basis.
10	CTI 02/2008A	Hosting cost is restricted to a maximum of US\$2,500 per day.