



**Asia-Pacific
Economic Cooperation**

2015/SOM1/BMC/011

Agenda Item: 7.2

New Mining Sub-Fund Under the APEC Support Fund

Purpose: Information
Submitted by: Australia



**First Budget and Management Committee Meeting
Clark, Philippines
3 February 2015**

New Mining Sub-Fund under the APEC Support Fund

Introduction

1. At the APEC Leaders' Meeting in Beijing, China in November 2014, APEC Leaders noted the establishment of a mining sub-fund, which occurred at the Concluding Senior Officials Meeting the week before. The relevant part (item 12) of the *APEC Accord on Innovative Development, Economic Reform and Growth*, Annex C to the 2014 Leaders' Statement, is as follows:

"We note the establishment of a mining sub-fund to take forward the 10 APEC Mining Policy Principles with an emphasis on supporting capacity building projects involving collaboration between the public and private sectors."

2. The Senior Officials' decision to establish a mining sub-fund was based on the *Proposal to Establish a Mining Sub-fund (2014/CSOM/039)* submitted by Australia and attached to this paper ([Attachment 1](#)).
3. In accordance with the Senior Officials' decision, and Leaders' intention, this paper confirms the establishment of the new mining sub-fund and sets out the overall governance arrangements of this sub-fund proposed by Australia, the initial donor, in consultation with the APEC Secretariat.

Existing Principles and Procedures for Creating New Sub-Funds

4. In November 2004, the APEC Support Fund (ASF) was established to serve as a flexible funding mechanism to complement the Operational Account and the Trade and Investment Liberalisation and Facilitation Special Account for meeting capacity building needs for developing member economies in APEC's agreed high priority sectors for economic and technical cooperation. Under the existing mechanism, only contributions to the ASF can be tied to a specific APEC priority area. Such "tied funds" are managed under the relevant sub-funds of the ASF¹.
5. The modus operandi for the ASF and its sub-funds ([2005/BMC1/010](#)) was endorsed by the Budget and Management Committee (BMC) and subsequently approved by Senior Officials in May 2005. As a general principle under the modus operandi, an economy wishing to establish a new ASF sub-fund must apply to the Secretariat for BMC's approval, which may be conducted intersessionally. If a sub-fund proposal covers a generic area within APEC, the relevant APEC forum/fora must first consider the application before it is approved by the BMC.
6. Furthermore, an additional set of principles and procedures for creating a new ASF sub-fund ([2009/BMC3/014](#)) was endorsed by the BMC and subsequently approved by Senior Officials in November 2009, with the objectives of maximising future contributions to the ASF and ensuring greater flexibility in allocating funds to quality projects. Such principles and procedures then came into effect immediately, but not retrospectively².

Creation of the New Mining Sub-Fund

7. As stated in the *Proposal to Establish a Mining Sub-fund (2014/CSOM/039)*, and noted by the Leaders, the main objective of the new Mining Sub-Fund is to support projects that are consistent with the 10 APEC Mining Policy Principles with an emphasis on progressing collaborative

¹ To date, seven sub-funds have been established under the ASF for tied contributions to support specific capacity building priorities, which include: human security; health and emergency preparedness; APEC Second Trade Facilitation Action Plan; science and technology; energy efficiency and low-carbon measures; APEC New Strategy for Structural Reform (ANSSR); and supply chain connectivity (SCC).

² Two of the existing sub-funds, i.e. the ANSSR and SCC sub-funds, were established after the additional set of principles and procedures came into operation.

approaches involving the private sector. These will focus on meeting capacity-building needs for developing economies, and help to implement the current Mining Task Force (MTF) Strategic Plan.

8. In considering the application of the principles and procedures for creating new sub-funds, it is worth noting that the establishment of the Mining Sub-fund was a decision of APEC Senior Officials, and thus the requirement of BMC's approval does not apply. Nonetheless, this sub-fund should still be in line with other principles and procedures for creating a new ASF sub-fund as endorsed by the BMC and approved by Senior Officials, where appropriate. The applicable principles and procedures for the new Mining Sub-Fund, based on those approved in 2009, are as follows –

(a) ***The sub-fund is established for addressing a specific long-term cross-cutting capacity-building priority of APEC Leaders or Ministers:***

Recognising the importance of mining and metals to the growing integration of APEC economies³ Ministers Responsible for Mining agreed to the 10 APEC Mining Policy Principles at their meeting in Perth, Australia in 2007 (extract annexed to [Attachment 1](#)). APEC Ministers Responsible for Mining reaffirmed these principles at subsequent meetings, including at their latest meeting in June 2014. In November 2014, APEC Leaders welcomed the joint statement and noted the establishment of a mining sub-fund to take forward the 10 APEC Mining Policy Principles with an emphasis on supporting capacity building projects involving collaboration between the public and private sectors.

(b) ***The sub-fund will have the broadest possible mandate:***

While taking forward the 10 APEC Mining Policy Principles the sub-fund aims to progress APEC gender objectives, corporate social responsibility and collaborative approaches involving the private sector, including the APEC Business Advisory Council (ABAC). In doing this it is expected that sub-fund projects will be developed by MTF member economies, preferably with the support of ABAC, and then endorsed by the MTF.

(c) ***The quantum of sub-fund contributions should not distract APEC from its core funding priorities as set by the SCE:***

The quantum of the initial sub-fund contribution is appropriately modest given that the 2014 APEC funding criteria ranked sustainable mining as priority two⁴, and given the current two year mandate for the MTF. Limited access to funding under the APEC funding priorities has constrained the number of MTF projects to date⁵. The sub-fund aims to provide appropriate resourcing for this important area of work.

Even so, the project proposals to be funded under this sub-fund will be prioritised and selected based on the APEC-wide funding criteria. The approval process for the project proposals will vary from APEC's standard procedures. Any interested economy, and the SCE, may submit project proposals which fall within the scope of the sub-fund and the ambit of APEC funding criteria. These will need to be endorsed (or simultaneously co-endorsed in the case of non-MTF generated proposals) by the MTF as part of the normal project session process. The Secretariat will assess the proposals according to the MTF-agreed criteria and make recommendations to the BMC for approval of the projects.

³ Close to 75 per cent of all global trade and investment in the mining, mineral and metal industries is conducted within the APEC region.

⁴ Sustainable mining is now included as Rank 2: Projects that directly support the APEC Leaders' Growth Strategy in the *Funding Criteria For All APEC-Funded Projects (2014/ISOM/005rev1)*.

⁵ Sustainable mining has previously been included as an area "linked to other priorities identified by Leaders and Ministers that are less closely linked to regional economic integration via free and open trade and investment" and so has been Rank 3 in the *Funding Criteria For All APEC-Funded Projects* (e.g. 2013/ISOM/008).

- (d) ***There will be a minimum initial contribution of US\$800,000 sourced from either a single donor or several for the sub-fund.***

For the purpose of establishing the Mining Sub-fund, Australia has pledged a contribution of A\$1.2 million prior to June 2015. Additional voluntary contributions from economies are welcome.

- (e) ***The sub-fund is created with a view to being sustainable, and in realistic anticipation that there will be further contributions in the future.***

The initial contribution of Australia will be made available for use until 31 December 2017, or the cessation of the Mining Sub-Fund, subject to the standard clause on the termination of the Memorandum of Understanding (MOU) to be signed with the Secretariat⁶. It is expected that the next discussion on the mandate or future form of the MTF (currently due to expire in December 2016) will prompt a review of the effectiveness of the sub-fund and consideration of additional voluntary contributions.

As one of the recommendations on financial realignment endorsed by the BMC and approved by Senior Official in July 2013 ([Annex F to 2013/SOM3/016](#)), when the funding level in this sub-fund has been depleted to a level equal or below US\$100,000 without any pledges for new contributions, the Secretariat will seek the agreement of the contributors to reallocate the balance left in the sub-fund to the ASF (General Fund). With the agreement of the contributor(s), the Secretariat will recommend to SOM, on the endorsement of BMC, the cessation of the sub-fund.

Management of the Mining Sub-Fund

9. As with other existing project funds, contributions to the Mining Sub-Fund will be managed by the Secretariat. The account of the ASF and its sub-funds will be audited by the auditor of the Secretariat approved by the BMC and Senior Officials. An annual report of the activities of the Mining Sub-Fund for the BMC will be prepared by the Secretariat and forwarded to SOM. Following the same practice of the previous ASF sub-funds established in 2011 (the ANSSR Sub-Fund) and 2014 (the SCC Sub-Fund), 2% of the contributions to the Mining Sub-Fund will be allocated to the Secretariat as a management fee. The Secretariat may deduct this portion and transfer it to the Secretariat Account upon receipt of the contributions.

Conclusion

10. Members are invited to note the establishment of the Mining Sub-fund and consider making contributions to it on the basis of the overall governance arrangements as set out in paragraphs 7 to 9 above. Project proposals under this sub-fund will start to be processed once the specific funding criteria are agreed by the MTF (expected May/June 2015). The funding criteria will be circulated to BMC members intersessionally for information.

Australia
22 January 2015

⁶ Signing of MOU is not a mandatory requirement for contributions from economies. This is solely at the discretion of individual economies.



**Asia-Pacific
Economic Cooperation**

2014/CSOM/039

Agenda Item: 3

Proposal to Establish a Mining Sub-fund

Purpose: Consideration

Submitted by: Australia



**Concluding Senior Officials' Meeting
Beijing, China
5-6 November 2014**

EXECUTIVE SUMMARY

Proposal to Establish a Mining Sub-Fund

Required Action/Decision Points

It is recommended that the Senior Officials:

1. Agree to the proposal to establish a mining sub-fund.
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Proposal to establish a mining sub-fund

Non-Paper from Australia, 4 November 2014

This paper sets out a proposal to establish a new APEC Mining Sub-Fund to support projects that are consistent with the 10 APEC Mining Policy Principles with an emphasis on progressing collaborative approaches involving the private sector. Australia would make an initial contribution of AUD\$1.2 million to the fund.

Background

The mining, mineral and metal industries are of great importance to the APEC region, with close to 75 per cent of all global trade and investment conducted within the APEC region. In 2007, APEC Ministers responsible for Mining established the Mining Task Force (MTF) and agreed to 10 APEC Mining Policy Principles (see attached). APEC Ministers Responsible for Mining met in June this year and reaffirmed these principles as well as the importance of closer cooperation, innovation driven growth and social responsibility in the mining sector.

Capacity building to support implementation of the 10 APEC Mining Principles

Australia considers that there is considerable scope to bolster APEC's capacity building work in support of the 10 APEC Mining Policy Principles. The MTF has a Strategic Plan for 2014-15 that emphasises the importance of implementing the mandates given by the Ministers Responsible for Mining (MRM). However, limited access to APEC funding under the APEC funding priorities has constrained the number of MTF projects.

To address this issue, Australia proposes that a new APEC sub-fund, under the APEC Support Fund, be established. The objective of the sub-fund would be to support projects that align with and take forward the 10 APEC Mining Policy Principles with an emphasis on capacity building projects for Government and the private sector, progressing APEC gender objectives, corporate social responsibility and collaborative approaches involving the private sector including the APEC Business Advisory Council. Australia would make an initial contribution of AUD\$1.2 million to the Sub-Fund. Additional voluntary contributions from economies are welcome.

The Sub-Fund would be overseen by Senior Officials through the Mining Task Force and would support the agreed priorities, objectives and mission statement of the MTF. It is expected that projects from the Sub-Fund would be designed and implemented in close collaboration with the private sector, including the APEC Business Advisory Council. Standard APEC approval processes would be followed in administering the Fund. Details about the operation of the fund and project priorities would be discussed in the MTF.

Australia proposes the following language for inclusion in Annex C (APEC Accord on Innovative Development, Economic Reform and Growth) of the 22nd APEC Economic Leaders Declaration:

We welcome the joint statement of the 2014 APEC Ministers Responsible for Mining. We agree to establish a mining sub-fund to take forward the 10 APEC Mining Policy Principles with an emphasis on supporting capacity building projects involving collaboration between the public and private sectors.

Extract from the **2007 APEC Meeting of Ministers Responsible for Mining**, Perth
Declaration - APEC Improving Leading Practice Sustainable Development in Mining

Recognising the importance of mining and metals to the growing integration of APEC economies, Ministers agreed to the 10 APEC Mining Policy Principles. Our agreement to the APEC Mining Policy Principles recognises that application of these principles will be dependent on the specific circumstances of each Member Economy.

- i. Pursue policies that enhance the sustainable production, trade and consumption of minerals and metals thereby improving the economic and social wellbeing of our people.*
 - ii. Foster regular exchange between member economies about experiences with regulations, policies and practices and about significant developments in each economy's minerals and metals sector.*
 - iii. Promote the best possible functioning of global markets for minerals and metals, through support for market transparency and facilitation of trade. Export restrictions should be employed only in exceptional cases, and in accordance with WTO rules.*
 - iv. Foster investment certainty in the APEC minerals sector through the pursuit of open minerals and metals markets and the articulation of clear and predictable investment policies.*
 - v. Promote cost effective, evidence based, transparent and objective-based measures which improve the efficiency in the regulation of the minerals industry to contribute to economic, environment and social development outcomes.*
 - vi. Encourage, support and promote initiatives by the minerals and metals industry and stakeholders that contribute to national and international sustainable development goals.*
 - vii. Encourage research to develop and apply new minerals exploration, extraction, and pollution control technologies that are more cost effective, efficient, economically sound, environmentally responsible and socially acceptable. Promote information exchange and cooperation on such technologies.*
 - viii. In partnership with all life cycle participants, ensure that materials and products made from minerals and metals are produced, consumed, recycled or disposed of in a responsible manner.*
 - ix. Encourage all participants in the life cycle of a material or product to take direct responsibility for their area of action, and a shared concern over other stages of the life cycle.*
 - x. Support capacity building activities for sustainable development so that all APEC Economies are able to maximise the benefits and minimise the impacts from minerals resource development.*
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