

**Summary Conclusions of the
Second APEC Budget and Management Committee Meeting
Cebu, Philippines
2 September 2015**

Introduction

1. The APEC Budget and Management Committee (BMC) held its second meeting for 2015 in Cebu, the Philippines on 2 September 2015. It was attended by representatives from Australia; Brunei; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States; Viet Nam and the APEC Secretariat. The list of participants is at [2015/SOM3/BMC/PL](#).
2. The meeting was chaired by Mr ZHOU Ningyu, Deputy Director from the Department of International Economic Affairs of the Ministry of Foreign Affairs of China.

Agenda Item 1: Chair's Opening Remarks

3. The Chair welcomed BMC colleagues and the Executive Director of the Secretariat, Dr Alan Bollard, to the meeting. He remarked that BMC had agreed on a number of important issues relating to APEC funding and project management at its first meeting held in the margins of SOM1 in February. He thanked Members for participating in the informal pre-meeting held on 1 September, and trusted that this BMC meeting would be as fruitful as BMC1.

Agenda Item 2: Adoption of Agenda

4. The Chair noted that no adverse comments had been received on the draft agenda, and that Canada had proposed to include an additional agenda item under "Other Business", which was reflected in the revised draft agenda circulated to Members. There being no other comments, the meeting adopted the agenda ([2015/SOM3/BMC/001rev1](#)).

Agenda Item 3: Business Arrangements and Program

5. The meeting noted the business arrangements and program ([2015/SOM3/BMC/002](#)). On behalf of BMC, the Chair thanked the Philippines and the Vice Chair, Ms Millicent C. Paredes, for hosting the lunch reception for all BMC delegates.

Agenda Item 4: APEC Management Issues

4.1 Update on Secretariat Key Staffing Issues

6. The Executive Director highlighted to the meeting the recent turnover of Program Directors seconded from member economies, and reminded economies to consult with him on secondment appointments pursuant to his submission to Senior Officials in 2013, particularly in the light of a growing number of ad hoc groups under SOM.
7. The Chief of Staff, Ms Irene Sim, updated the meeting on the Career Development System implemented since December 2014 for Program Directors/Corporate Directors. She said that the Secretariat aimed to enhance its training and development for staff, and thus would budget about S\$1,000 per staff member for this purpose starting from 2016. The Secretariat also proposed to use the remaining balance of the cash grants previously provided by the Singapore Government under the Job Credit Scheme to finance its annual training plans from 2016 onwards.
8. The Chair said that Program Directors were valuable assets of member economies and the Secretariat. He thanked Singapore for the contribution in enhancing staff training for the Secretariat. There being no comments from the floor, the meeting took note of the Secretariat's updates ([2015/SOM3/BMC/003](#)) and endorsed its proposal to continue to use the cash grants from Singapore to fund its staff training plans with effect from 2016.

4.2 Update on Secretariat Social Media and Partnership Work

9. The Chair said that BMC approved inter-sessionally in December 2014 to outsource the Secretariat's proposed social media and partnership work to a contractor for two years from 2015 to 2016, and endorsed inter-sessionally in February 2015 the Secretariat's recommendation to award contract to its preferred contractor, Edelman Indonesia. He invited the Secretariat to provide an update on the work progress.
10. Director (Communications and Public Affairs), Mr Michael Chapnick, updated the meeting that the Secretariat signed a contract with Edelman Indonesia in early April 2015, and subsequently developed with the contractor key performance indicators for social media performance until February 2017. He said that the Secretariat would seek to pilot an APEC Communications Network and create an online collaboration site for APEC hosts and strategic partners. It would also launch two social media campaigns, APEC photo and video contests in 2015.
11. Members from some host economies, including the Philippines, Peru and Papua New Guinea, thanked the Secretariat for the social media and partnership work, particularly the pilot of APEC Communications Network to facilitate the work of the hosts. United States also expressed appreciation for the efforts of the Secretariat in disseminating the good work of APEC through social media.
12. The Chair noted that the meeting generally appreciated the work being done by the Secretariat, and that BMC would review the outcome of the outsourced social media work at its second meeting of 2016, with a view to deciding on the way forward after the end of this two-year trial. There being no other comments, the meeting took note of the Secretariat's update on its social media and partnership work ([2015/SOM3/BMC/004](#)).

4.3 APEC Digital Initiatives led by Secretariat

13. The Executive Director said that over the past year, a number of APEC sub-fora had been conducting various forms of remote access of meetings, which required strong technical support and back-up by the Secretariat, but were considered useful and involved no additional costs generally. In addition, some sub-fora had been experimenting with either no paper or paper-light meetings, and the Committee on Trade and Investment (CTI) had also agreed to implement a proposal for paper-reduction starting from 2016. He remarked that the Secretariat's capacity in supporting these digital initiatives was limited by the absence of an IT Director since the end of Korea's secondment early this year. The Secretariat had no plan to move to phase 2 of the remote access program at this stage, and would come back to BMC on a proposed budget increase for direct hire of an IT Director if no secondees could be offered by member economies.
14. Canada said that they were committed to working with the Secretariat to find an IT Director, but had been unable to identify a suitable person for that. They suggested that the Secretariat provide a further update in 2016 for BMC to discuss ongoing options, and that ideas such as improving the online system for searching and downloading APEC meeting documents and uploading APEC project workshops to webinar should be explored after getting the IT Director position filled.
15. United States remarked that videos of some closed sessions of meetings held in the margins of SOM3 had been published without prior approval from member economies. In response, the Executive Director said that this was governed by the hosting guidelines, and as he understood it, it was an unexpected and one-off event which was not happening at the moment.
16. There being no other comments, the Chair concluded that the meeting took note of the updates provided by the Secretariat ([2015/SOM3/BMC/005](#)) and appreciated the progress being made by some APEC fora on remote access to meetings and paperless or paper-light meetings, taking into consideration the challenges and difficulties in those initiatives and the different circumstances of member economies. BMC also noted the Secretariat's concerns arising from the absence of an IT Director and would discuss ongoing options as needed and appropriate.

4.4 Update on US-APEC Technical Assistance to Advance Regional Integration (US-ATAARI) Progress and Work Plans

17. US-ATAARI presented the progress and work plans of their five-year program from November 2013 to October 2018 as set out in [2015/SOM3/BMC/006](#). The meeting thanked the continued efforts of US-ATAARI to provide support to APEC's institutional development, including capacity building of member economies and incoming hosts and other initiatives relating to the Secretariat. Thailand also expressed their wish for United States to continue their support to US-ATAARI until 2020. United States thanked the meeting for the appreciation and the positive feedbacks.

Agenda Item 5: Financial Reports and Budgets

5.1 Audited Financial Statements for the Year ended 31 December 2014

18. Director (Finance), Ms Chelsea Wong, said that Deloitte & Touche LLP, the external auditors approved by Senior Officials, had completed their independent audit for the Secretariat for 2014, which expressed an opinion that the financial statements of the Secretariat were properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Secretariat as at 31 December 2014. She also remarked that the actual expenditure of the Secretariat for 2014 was S\$4,923,825, resulting in a surplus of S\$1,078,275 or 18% of the approved budget.
19. The Chair noted the commendation from Singapore regarding the financial prudence and efficiency exercised by the Executive Director and the Secretariat for 2014. There being no other comments, he concluded that BMC approved the independent auditors' report and the audited financial statement for 2014 as provided in [2015/SOM3/BMC/007](#).

5.2 Secretariat Account – 2015 Forecast Expenditure and 2016-18 Budget

20. The Chair remarked that following the endorsement of BMC and Senior Officials last year under the financial realignment exercise, the Secretariat had submitted its proposed budget in a brand new structure to this meeting for consideration. As noted by Members at BMC2 last year, the new budget structure had made the financial status and budget proposals of the Secretariat much clearer than the previous format. He invited the Secretariat to introduce the Secretariat's forecast expenditure and proposed budget of this year to the meeting.
21. The Executive Director said that for 2015, the Secretariat's forecast expenditure would likely be below S\$5.4 million, or 90% of the approved budget. The surplus would be placed in the Secretariat Account reserve, which was expected to remain at about S\$6.9 million by the end of this year. Part of the reserve could be used to support APEC project funding in 2016 by transferring to the General Project Account, which would be subject to BMC's decision at the next meeting.
22. Director (Finance) said that for 2016, the Secretariat's expenditure was budgeted to be S\$6.9 million. It was 16% more than the approved budget for 2015 due to a two-fold increase in estimated travel costs for APEC meetings in Peru next year. If excluding the increase in travel budget, the 2016 proposed budget would be at the same level as the 2015 approved budget. She also introduced the Secretariat's budget projection for 2017-18 and three-year expenditure projection for the Asset Replacement Fund (ARF).
23. United States echoed the earlier comment of Singapore and suggested that the Secretariat should continue to exercise prudence and efficiency in financial management by identifying cost savings as much as possible within the budget.
24. There being no further comments, BMC endorsed the 2016 Secretariat Account budget with expenditure totalling S\$7.02 million, including the Secretariat's proposed budget of S\$6.9 million and a provision of S\$120,000 set aside for the ARF, detailed at Annex A to [2015/SOM3/BMC/008](#), for recommendation to Senior Officials and Ministers for approval.

5.3 2016-2018 Members' Contributions

25. Director (Finance) said that the proposed membership contribution level for 2016-2018 was drawn up based on the three-year Secretariat Account budget presented to Members in the above agenda item and the fiscal principles endorsed by Senior Officials in 2009. There being no comments from the floor, BMC endorsed the level of 2016 members' contributions at 2015/SOM3/BMC/009 for recommendation to Senior Officials and Ministers for approval.

Agenda Item 6: SCE Draft Capacity Building Policy – Consultation with BMC

26. The Chair thanked Members for the substantive and constructive discussion on this item at the informal pre-meeting, and Peru for producing the third revised SCE draft capacity building policy document promptly after taking into account Members' comments at the pre-meeting. BMC agreed to the third and final revised version of the draft policy document after the inclusion of some further amendments raised and discussed at this meeting, which would be presented to SOM through SCE for endorsement.
27. The Chair remarked that Members had also reached a general consensus at the pre-meeting on a suggestion for BMC to establish a small working group on the SCE capacity building policy. Having discussed the suggestion in more detail, the meeting agreed that : -
- (a) BMC will establish and lead a dedicated small working group to explore options to implement aspects of the SCE capacity building policy that are relevant to the BMC;
 - (b) The BMC small working group will be set up immediately after the final endorsement of the policy document, with a view to holding its first meeting in the margins of SOM1, 2016 in Peru, with the participation of interested SCE members; and
 - (c) Subject to the progress and outcome of its discussion, the small working group will recommend to BMC on the appropriate timing to hold a joint session with SCE, if needed.
28. Canada suggested that it would be desirable if BMC could agree to the terms of reference of the small working group inter-sessionally to allow the group to start its working at BMC1, 2016. Peru said that, as the incoming host economy, they were prepared to host also the BMC2 meeting in the margins of SOM3 to facilitate the work of the small working group in 2016.
29. There being no other comments, the Chair thanked the SCE Chair and Peru for the efforts in formulating the capacity building policy and consulting with BMC on this policy document. He would convey the above consensus reached by BMC (paragraphs 26-27) to SCE and SOM, and would welcome views and input from Members inter-sessionally on the establishment of the BMC small working group, including its terms of reference.

Agenda Item 7: Project Funding

7.1 Progress Report on Voluntary Contributions

30. The Executive Director said that APEC had put in place an aspirational target for untied voluntary project funding starting from this year, following the *Modus Operandi for Coordinating Voluntary Contributions* endorsed by Ministers in 2014. Since the 2015 aspirational target was set by Senior Officials at SOM1, quite a number of member economies had responded by making or committing voluntary contributions for untied project funding. Nonetheless, he remarked that the aspirational target of this year had yet to be met, and it was expected that the untied project funding available in APEC would continue to be tight.
31. Director (Finance) presented a forecast of untied project funding available for 2016-18, which was projected to remain at a level above US\$4 million per year. She said that the funding available in the General Project Account would maintain at about US\$2 million each year based on the BMC-approved mechanism, and that the APEC Support Fund (ASF) General Fund would also increase to similar level as a result of pre-commitments of voluntary contributions from Australia; China; and Russia. However, the funding available in the Trade and Investment

Liberalization and Facilitation Fund (TILF) would likely be depleted in a few years' time if the current decreasing trend of voluntary contributions to this fund continued.

32. Japan announced at the meeting to contribute US\$200,879 to TILF for 2015.
33. The Chair thanked the Secretariat for providing an update on the progress of member economies in meeting the 2015 aspirational target of US\$4.2 million and the projection of untied project funding available for 2016-18, detailed at [2015/SOM3/BMC/011](#). The meeting noted that so far, eight member economies (including Japan) had made or committed untied voluntary contributions totalling US\$4.1 million, and thus the remaining balance that still needed to be raised to achieve the 2015 aspirational target was about US\$100,000.

7.2 Three New Sub-funds under APEC Support Fund

34. China said that Senior Officials had earlier approved at SOM2 their proposal to establish three new ASF sub-funds, namely Free Trade Area of the Asia-Pacific and Global Value Chains (FTAAP & GVCs) Sub-fund; Innovative Development, Economic Reform and Growth (IERG) Sub-fund; and Connectivity Sub-fund. Subsequently, they prepared a set of guidelines and eligibility criteria for accessing the sub-funds, which had been circulated to and generally supported by SCE and CTI. China would contribute US\$6.5 million in five years to the three new sub-funds for their operation with effect from 2016. They would also make voluntary contributions to the ASF General Fund, the existing ASF Supply Chain Connectivity Sub-fund, and the Policy Support Unit, as part of their commitment made at AELM last year to contribute a total of US\$10 million to APEC.
35. Australia welcomed the three new ASF sub-funds established by China. They noted the similarities between these sub-funds and the ASF Mining Sub-fund recently established by Australia in terms of their overall governance arrangements. They suggested implementing an arrangement to publish the deadline for assessing the eligibility for all these sub-funds on the APEC website for easy reference by project proponents for each project approval session. Both China and the Project Management Unit (PMU) of the Secretariat agreed to this suggestion.
36. Japan expressed appreciation for China's contribution for establishing the three sub-funds. Regarding the Connectivity Sub-fund, they suggested that its eligibility criteria should include the "sub-pillars" under the pillar of Physical Connectivity indicated in the APEC Connectivity Blueprint for 2015-25, similar to those under the other two pillars of Institutional Connectivity and People-to-People Connectivity. China clarified that the criteria was not an exhaustive list, and the Connectivity Sub-fund would be open for application by any projects in line with the core objectives and priority areas of the APEC Connectivity Blueprint for 2015-25.
37. There being no other comments, the meeting welcomed the finalization of the overall governance arrangements, including guidelines and eligibility criteria, for the three new ASF sub-funds as proposed by China ([2015/SOM3/BMC/012](#)), and looked forward to the early operation of the sub-funds.

Agenda Item 8: Project Management

8.1 Project Management Unit Update Report

38. Director (PMU), Mr Andrew Lloyd, updated the meeting on project related issues since BMC1, 2015. In response to Peru's enquiry about the implications of the new scoring system to addressing rank 2 issues in the APEC funding criteria, he said that under the new system it is now possible for projects that address rank 2 issues to be funded ahead of projects that address rank 1 issues, provided that they score more points against other selection criteria. Under the previous selection system, it was not possible for rank 2 projects to be funded ahead of rank 1 projects. Also in response to Peru's inquiry, he noted that SCE typically receives more project funding than any other APEC committees at every project session.
39. Thailand requested that the Secretariat provide information and training materials on the new scoring system, so that Thai officials could be further informed of the new approach. In response, Director (PMU) committed to provide the information and training materials to Thailand.

40. There being no other comments, the meeting took note of the update provided by PMU as outlined in 2015/SOM3/BMC/013.

8.2 Financial Reports of APEC-funded Projects

41. Director (PMU) presented the regular reports on the spending of APEC-funded projects, which were all within their approved budgets. There being no comments from the floor, BMC took note of the reports at 2015/SOM3/BMC/014.

8.3 Review of the Application of APEC Funding Criteria to Project Approval Process

42. Canada briefed the meeting that Senior Officials had tasked BMC at SOM1 this year to review the use of the APEC-wide funding criteria in the process of selecting projects for funding and to report back at SOM3, with an aim to ensure that all projects, especially those considered Rank 2 in the funding criteria, had a reasonable chance of competing for project funding. Canada noted that amending the way in which the funding criteria were applied to project selection in the new scoring system, as earlier explained by Director (PMU), had addressed the questions posed initially by Senior Officials. They suggested that BMC agree to inform Senior Officials accordingly, and that the PMU be requested to continue to monitor the process and report back to BMC in 2016 for assessment on whether any further refinements would be needed.
43. Peru agreed with Canada and suggested that the overall project selection mechanism could be included in the terms of reference of the BMC small working group on capacity building policy to be established.
44. The Chair thanked Canada for the efforts in pioneering the use of scoring system for selecting projects and reviewing the application of APEC funding criteria to the project approval process. There being no other comments, the meeting agreed to report back to Senior Officials at SOM3 as suggested by Canada.

Agenda Item 9: Other Business

9.1 APEC CEO Summit Governance

45. The Executive Director said that the APEC CEO Summits (the Summits) had been in operation for some years and generally gone well, but there had been concerns from some Senior Officials about the transparency on their organization, and that there could be reputational risks to APEC if problems arose. He highlighted that the existing governance guidelines on the subject were rather thin, and that the Philippines ABAC had some recommendations with regard to these.
46. ABAC Executive Director 2015, Ms Catherine Maceda, welcomed this opportunity to discuss with BMC on the subject. She said that the 2015 ABAC Chair understood the concerns and was committed to addressing the issue. ABAC would look at how to formalize the sharing of best practices from one host to the next to form a basis for future hosting. A proposal on this, taking into account APEC guidelines and policies, would be shared with the APEC Secretariat and presented to ABAC4 for consideration.
47. Members, including Canada; China; Indonesia; New Zealand; Philippines; Thailand and United States, welcomed the initiative of the Philippines ABAC. Canada also suggested that financial information on the organization of the Summits should be provided to member economies going forward. The ABAC Executive Director said that she had taken note of Members' views, particularly the importance of increasing transparency.
48. The Chair thanked the work of the Philippines ABAC and the participation of the ABAC Executive Director in this discussion. He concluded that BMC agreed the importance of seeking more transparency around the organization of the Summits, and welcomed the offer by the Philippines ABAC to develop a set of best practices at ABAC4, in close consultation with member economies and the APEC Secretariat, to provide a basis for reference for future Summits.

9.2 Preliminary Consultation on a Dedicated MSME Sub-fund and Policy Support Facility by Canada

49. Canada presented to BMC their idea to establish a new dedicated MSME sub-fund under ASF and other related policy support facility. Members generally appreciated the preliminary consultation of Canada. Some Members provided comments on Canada's proposal and expressed support in principle for the proposed new MSME sub-fund. The meeting noted that relevant APEC fora would be engaged and consulted on the details of the proposed new sub-fund, and that Canada would provide further update to BMC when ready for its establishment.

Agenda item 10: Date of Next Meeting

50. The meeting noted that the next BMC meeting would be held in 2016. The incoming host, Peru, said that the two BMC meetings next year would both be held as part of the SOM cluster meetings in Peru to facilitate the work of the BMC small working group on capacity building policy in 2016. The BMC1 meeting would be held in the margins of SOM1, which was tentatively scheduled for end February in Lima.

Agenda item 10: Classification of Documents

51. The meeting approved the classification of documents as set out in 2015/SOM3/BMC/000.

Closing

52. The Chair remarked that BMC had made substantive progress this year in a wide range of areas, including putting in place the *Modus Operandi for Coordinating Voluntary Contributions* endorsed by Ministers in 2014; overseeing the Secretariat's implementation of the financial realignment initiatives approved by Senior Officials last year; facilitating the establishment of four new ASF sub-funds in line with Senior Officials' decisions this year; introducing a more standardized scoring system for selecting projects for funding; overseeing the completion of a mid-term review of the multi-year project pilot; and contributing to the finalization of the SCE capacity building policy. He thanked the host, Philippines; member economies; Dr Bollard and the Secretariat colleagues for their contributions to BMC in 2015.
53. The Chair said that he would prepare a report of this meeting to SOM3, which would be shared with Members for comment, and convey the outcome with regard to the SCE capacity building policy to the SCE3 meeting. He would continue to follow up the inter-sessional work of BMC until the end of this year before handing over the BMC chairmanship for 2016 to Philippines. The Secretariat would keep Members posted of the nominations of the incoming Chair and Vice-Chair inter-sessionally in early January 2016.
54. The meeting was adjourned at 4:00 p.m.

**APEC Secretariat
October 2015**