



**Asia-Pacific  
Economic Cooperation**

---

**2014/SOM1/009**  
Agenda Item: 8

## **Report by Chair of the Budget and Management Committee**

Purpose: Consideration  
Submitted by: BMC Chair



**First Senior Officials' Meeting  
Ningbo, China  
27-28 February 2014**

## **Executive Summary**

This report informs SOM of decisions made at the first meeting of the Budget and Management Committee (BMC) held on 23 February 2014 in Ningbo, China.

### **Actions Required of SOM**

Senior Officials to note the report by the Chair of BMC.

**Report by the Chair of the Budget and Management Committee  
to the First Senior Officials' Meeting of 2014  
Ningbo, China**

**27-28 February 2014**

Mr Chairman,

1. The Budget and Management Committee (BMC) held its first meeting of 2014 on 23 February in Ningbo. This report provides a summary of the outcomes of the meeting.
2. At the meeting, the Committee approved the BMC Work Plan for 2014 ([Annex A](#)). BMC will continue to oversee the APEC Secretariat's budget and financial processes with audited accounts to be reported to BMC2, as well as the overall APEC funding position. It will also oversee the effective implementation of key project management reforms which focus on improving the quality and impact of APEC projects.

**Budget and Financial Management**

***New Sub-fund on Supply Chain Connectivity***

3. BMC noted APEC Leaders' conclusion in October 2013 in Bali to establish an APEC Sub-fund on Supply Chain Connectivity and encourage contributions of necessary resources to execute the relevant capacity building plan. At the meeting, BMC supported and noted the establishment of the new Sub-fund on Supply Chain Connectivity under the APEC Support Fund, on the basis that the main objective of this sub-fund was to meet capacity building needs for economies, particularly developing economies, in a specific APEC priority area of enhancing supply chain performance. BMC also noted the pledges of contributions to the sub-fund that had been made by individual economies, including the United States; Hong Kong, China; New Zealand and Chinese Taipei, totalling over US\$1.2 million thus far. Member economies are encouraged to continue to make contributions to this new sub-fund.

***Aspirational Target for Voluntary Contributions***

4. As approved by Senior Officials in SOM3 2013, starting from 2014, APEC would set an aspirational target for the funding level in the Trade and Investment Liberalisation and Facilitation Special Account (TILF) and the APEC Support Fund (ASF) with a planning horizon of three years. At the same time, there would be a cap on the value of projects approved per year or session. It was also concluded that the Secretariat would, in consultation with a steering group comprising the troika for 2014 and the host economy two years after, prepare the modus operandi for coordinating voluntary contributions for approval by Senior Officials after endorsement by BMC.
5. The Secretariat presented at BMC1 the current challenges of APEC project funding, including the increasing demand but decreasing supply of project funding; the funding commitments of multi-year projects; the reliance on consistent contributions from a small number of economies; and the depletion of most existing funds/sub-funds, in particular the two general funds, i.e. TILF and ASF General Fund, which would face a sharp decrease of about 70% in the number of projects that could be approved under these funds in 2014.
6. BMC noted that the existing APEC project funds, particularly TILF and ASF General Fund, would be depleted soon ([Annex B](#)) and there was a general need for further untied funding to address the funding availability issue identified. BMC endorsed the aspirational target of voluntary contributions of US\$6.3 million for 2014 computed by the Secretariat. Some individual economies had already made pledges of voluntary contributions for this year, totally US\$4.8 million, but mostly to the existing/new sub-funds that were tied to specific areas and could not alleviate the current funding pressure of TILF and ASF General Fund. BMC also endorsed the cap on the value of project funding for disbursement in 2014 based on the formula approved in 2013, with a view to reserving a portion of the funding available for at least the next one to two years.

7. BMC also tasked the Secretariat to start the process of engaging member economies individually to garner their support in making voluntary contributions for APEC project funding, and to refine the modus operandi for coordinating voluntary contributions for BMC's further consideration intersessionally.

#### ***Self-funding Requirement for TILF***

8. BMC endorsed a refinement to the self-funding requirement for TILF to clarify certain existing ambiguity and better reflect the intention of this requirement.

#### **Project Management**

##### ***Project Prioritisation and Ranking***

9. BMC noted the progress update on the implementation of options agreed by BMC to improve the existing APEC project selection process. BMC also considered the Canadian proposal to institute a scoring system to promote more transparency within the project ranking and prioritisation system and noted the Secretariat's assessment of this proposal.
10. BMC tasked the Secretariat to develop appropriate mechanisms and templates to implement this system, which will be circulated to BMC members intersessionally. The next stage of the process includes conducting a pilot to assess the feasibility and impact of the system. Canada and the United States agreed to informally pilot the system for project session 1 of 2014 and give feedback to BMC on the implementation of the system. Other economies agreed to confirm their participation in this process intersessionally after the templates and systems have been developed by the Secretariat. BMC would work towards the implementation of a full pilot for session 2 through intersessional discussion on the specifics of the mechanism.

##### ***Review of the Multi-Year Project Pilot Phase***

11. BMC noted the terms of reference prepared by the Secretariat for the proposed review of multi-year projects to be undertaken in 2014. The BMC Small Working Group on Evaluations will guide this work which includes the selection of an independent consultant and the assessment of the outcomes of the review. The review will be completed by mid-2014 and the results will be presented at BMC2 for consideration.

##### ***Evaluations of APEC Projects***

12. BMC noted the progress update on the implementation of the recommendations of the consultancy on the evaluation of APEC projects. The work undertaken by the Secretariat was in accordance with the Action Plan for implementing the key recommendations of the consultancy, which was approved at BMC2 2013 in Medan.
13. BMC also noted the low cost simple measures undertaken to implement the recommendations. This included instituting a systematic internal data management system to collate and better manage participant information to inform future evaluations. Amendments to project systems and templates have also been undertaken by the Secretariat. Notably, a post-activity evaluation survey form which will be standardised across APEC fora has been developed for the use by Project Overseers. A pipeline of indicative evaluations has also been prepared by the Secretariat to guide the work in this area.
14. There are further areas which need to be progressed to implement the recommendations of the consultancy. In line with the SCE's agenda for assessing ways of improving capacity building within APEC and using working group strategic plans as a departure point, the Secretariat will develop a tool kit to undertake capacity needs assessments of working groups. BMC was informed that a monitoring and evaluation resource pack will also be developed by the Secretariat using external technical expertise.

### **Other Business**

15. As endorsed by BMC and SOM last year, starting from 2014, BMC meeting will be held in the APEC Secretariat in Singapore at least once in every two years. Hence, BMC2 2014 will be held in the Secretariat and is scheduled for the week starting on 21 July 2014 before SOM3. BMC members suggested and the Secretariat undertook to consider the ideas of exploring the possibility of remote participation for BMC meeting and providing training on project evaluation during BMC2.

### **Conclusion**

16. I would like to thank BMC delegates for their support during the first BMC meeting of 2014, in particular for their engagement during the meeting in approving the BMC Work Plan for 2014. I would also like to thank the Secretariat for the work done for the meeting.

**Ferdy Piay**  
**BMC Chair (2014)**

**February 2014**

## Work Plan for the Budget and Management Committee in 2014

The Budget and Management Committee's (BMC) mandate is to "advise the SOM and make recommendations to it on matters concerning APEC's budgets, administration, management and operations, including project management".

2. In 2013, BMC embarked on a financial realignment exercise, which is a substantial work program to promote transparency in APEC financial management, strengthen the governance of the APEC Secretariat, support the stability of the APEC financial system, and promote predictability and sustainability of project funding. Progress has also been made by the BMC to establish appropriate systems and processes to further improve the quality and impact of APEC projects.

3. In 2014, the BMC should consider consolidating and developing these initiatives further. To achieve this, the BMC will aim to:

- Provide oversight of the Secretariat's budget and financial processes and the overall APEC project funding, including implementation of the recommendations approved by the Senior Officials under the financial realignment exercise; and
- Oversee the effective implementation of project reforms which focus on improving project quality and impact. This will involve further refinements to APEC project selection and prioritization processes and instituting effective frameworks for monitoring project progress and impact. In addition, as agreed by members at BMC2 2013, a review of the pilot phase of multi-year projects (MYPs) will be undertaken in mid-2014 to determine options for supporting more strategic longer term projects.

### Recommendations

4. Based on the above, it is proposed that BMC agrees to the proposed work program for 2014 at **Annex**.

## BMC Work Plan 2014

Work Program	Action Required	Lead	Timeline
<b>Strengthening Budget Management</b>			
<b>Strengthening budgetary position of the APEC Secretariat</b>	<ul style="list-style-type: none"> <li>Review proposed Administrative Account (AA) budget for 2015 submitted in 2013 as part of the three-year 2014-2016 budget.</li> </ul>	Secretariat	Secretariat to propose for endorsement at BMC2
	<ul style="list-style-type: none"> <li>Prepare a draft AA budget for 2017, including implications for Operational Account (OA), on the basis of assumptions on inflation and hosting of APEC for the year as part of the rolling three-year budget.</li> </ul>	Secretariat	Secretariat to propose for endorsement at BMC2
	<ul style="list-style-type: none"> <li>BMC and Secretariat to keep monitoring the relevant processes from the perspectives of cost savings/budget efficiencies.</li> </ul>	BMC/Secretariat	Ongoing
<b>Oversight of the APEC Secretariat's budget and financial processes</b>	<ul style="list-style-type: none"> <li>Prepare a report on outstanding member economies' fees as at 30 June 2014 (noting those economies with different fiscal years).</li> </ul>	Secretariat	Secretariat to report for information at BMC2
	<ul style="list-style-type: none"> <li>Provide quarterly balance sheets and income and expenditure statements for AA and all project funds accounts.</li> </ul>	Secretariat	Ongoing intersessionally
	<ul style="list-style-type: none"> <li>Provide annual report of the budget reallocations made by the Executive Director in a financial year by the end of January in the following year.</li> </ul>	Secretariat	Ongoing intersessionally
	<ul style="list-style-type: none"> <li>Review of fixed asset replacement program.</li> </ul>	Secretariat	Secretariat to provide annual report for information at BMC2, in conjunction with AA budget
	<ul style="list-style-type: none"> <li>Further the work on the financial realignment exercise in a consultancy study funded by the US-APEC Technical Assistance to Advance Regional Integration (formerly known as APEC Technical Assistance and Training Facility).</li> </ul>	Secretariat	Secretariat to report the results of the consultancy study for consideration at BMC2

Work Program	Action Required	Lead	Timeline
<b>Monitoring the overall APEC project funding</b>	<ul style="list-style-type: none"> <li>• Reconciliation and financial reports of approved projects from all project funds accounts.</li> <li>• Review the fund management policy of the Secretariat to facilitate consideration of transferring certain amount of the uncommitted reserve in AA to OA for supporting APEC projects in 2015 and onwards.</li> <li>• Set an aspirational target for voluntary contributions to the project funds accounts and a cap on the value of projects to be approved per year/session.</li> </ul>	<p>Secretariat</p> <p>Secretariat</p> <p>Steering Group on Voluntary Contributions/Secretariat</p>	<p>Secretariat to report for information at BMC2</p> <p>Secretariat to propose options for consideration at BMC2</p> <p>Secretariat to prepare the modus operandi for consideration at BMC1</p>
<b>Project Management Reforms</b>			
<b>Project reform agenda – supporting more strategic, higher value, longer term projects</b>	<p><b>Undertake an independent review of the pilot phase of multi-year projects (MYPs)</b></p> <ul style="list-style-type: none"> <li>• Draft the terms of reference (TORs) for the proposed review of the pilot phase of MYPs and seek members' endorsement.</li> <li>• Select independent consultant/s to undertake the independent review of pilot phase.</li> <li>• Assess the outcomes of the review and determine options for supporting more longer term strategic, higher value projects.</li> </ul>	<p>Secretariat</p> <p>Secretariat to manage the selection process (in consultation with BMC)</p> <p>BMC</p>	<p>TORs to be prepared and submitted to members at BMC1</p> <p>The selection of the independent consultant/s to be finalized (by March/April 2014)</p> <p>The Effectiveness Grant funds will be used to support the review of the pilot phase of the MYPs</p> <p>The review to be completed by May 2014 and the results submitted to members intersessionally. The outcomes and recommendations will be presented to members for discussion at BMC2</p>



Work Program	Action Required	Lead	Timeline
<p><b>Project monitoring and evaluation – improving project quality and impact</b></p>	<p><b>Evaluations of APEC projects</b></p> <ul style="list-style-type: none"> <li>• Report progress on the implementation of the recommendations from the pilot phase of the APEC project evaluations, in accordance with the action plan approved by members at BMC2, 2013.</li> <li>• Develop a pipeline for project evaluations to guide future evaluations of APEC projects. The pipeline will identify potential (collections of) projects implemented by working groups/sub fora for future evaluations after consulting with relevant groups/fora.</li> <li>• Undertake evaluations of APEC projects, using the framework approved by members in 2013.</li> </ul>	<p>Secretariat</p> <p>Secretariat to oversee the process in close consultation with BMC. Subsequently the pipeline will be shared with Chairs of other fora.</p> <p>Secretariat to oversee process</p>	<p>Report on progress on implementation of the action plan at BMC1</p> <p>This will also involve informing members of changes to templates and processes</p> <p>March/April 2014</p> <p>Timelines to be determined</p>
<p><b>Project preparation, selection and assessment</b></p>	<p><b>Implement recommendations from the review of project selection and approval processes undertaken in 2013</b></p> <ul style="list-style-type: none"> <li>• Members to discuss the options paper based on the Canadian paper to streamline and improve the objectivity of the project selection process.</li> </ul>	<p>The draft paper was circulated to members for consideration in November 2013</p>	<p>The draft discussion paper based on the Canadian approach to establish a (scoring) point based system for project selection has been circulated to members. This will be discussed further at BMC1.</p>



**Funding Available for 2014  
vis-à-vis Funding Disbursed in 2013**

	Funding Available for 2014 (USD)	Projects Approved (Estimate*)	Funding Disbursed in 2013 (USD)	Projects Approved (Actual)
<b>OA</b>	\$1,811,000	17	\$1,912,000	18
<b>TILF</b>	^ \$590,000	5 [64% less than 2013]	\$1,664,000	14
<b>ASF General Fund</b>	\$744,000	7 [71% less than 2013]	\$2,560,000	24
<b>ASF Sub-Funds</b>				
(i) Human Security	\$425,000	3	\$917,000	6
(ii) Health and Emergency Preparedness	\$512,000	5	\$590,000	6
(iii) TFAPII	\$144,000	1	\$144,000	1
(iv) Science and Technology	\$507,000	5	\$587,000	6
(v) Energy Efficiency	^ \$2,162,000	15	\$4,242,000	29
(vi) ANSSR	\$1,239,000	10	\$615,000	5
(vii) Supply Chain Connectivity	1,232,000	Subject to discussion of the APEC forum concerned	Not applicable	
<b>Total</b>	<b>\$9,365,000</b>	<b>68</b>	<b>\$13,230,000</b>	<b>109</b>

\* Based on the average value of projects approved in 2013 under the respective fund/sub-fund.

^ Based on the formula as approved in CSOM 2013, i.e. capped at 1/3 of the funding available if the balance of the fund/sub-fund is above US\$1.5 million.