



**Asia-Pacific
Economic Cooperation**

APEC Support Fund Governance Arrangements

Introduction

1. In November 2004, Ministers endorsed the proposed APEC Support Fund (ASF) and welcomed the offer of Australia to contribute AUD\$3 million to the fund over the coming three years. The wording used was: “*Ministers noted that APEC’s growing work program is generating greater demand on its capacity-building resources. Accordingly, they instructed officials to consider ways to broaden APEC’s funding base, and endorsed the establishment of an APEC Support Fund (‘the ASF’), which could attract funds from government as well as non-government sources.*”
2. Ministers instructed Senior Officials to work on the operational aspects of the ASF and to report on progress. At Senior Officials Meeting (SOM) 1 in Seoul, following discussion of the Secretariat’s concept paper on the ASF (2005/SOMI/032), Senior Officials agreed that a revised version of the paper should be prepared for approval by economies at the April Budget and Management Committee (BMC) meeting in Singapore. This paper seeks BMC agreement for the Secretariat to implement the ASF using the following guidelines.

Conceptual Basis for the APEC Support Fund

3. The objective of the ASF is to serve as a flexible funding mechanism to complement the existing Operational and TILF Special Accounts for meeting capacity building needs for APEC developing economies in APEC’s agreed high priority sectors for economic and technical cooperation. Contributions (co-financing or in-kind) from proposing and/or participating economies (excluding donors to the ASF) are required. The Fund would also welcome contributions from private sources.
4. The ASF will permit two types of contributions – *general* and *tied*. *General* contributions are contributions that have not been earmarked for a specific purpose and will be allocated to APEC identified priorities through the BMC and SOM processes. *Tied* contributions are donor contributions to a specific APEC priority area (for example anti-corruption or counter-terrorism).

Approval of General Contributions

5. Approval is not required for general contributions from an APEC economy. Publicity, if requested, would be provided through the APEC Secretariat. If the donor is a non-governmental organization, including a company, or an individual, then approval to receive the contribution will be required from the BMC, following broad principles set out in the APEC Sponsorship Guidelines. The approval would note the publicity and other benefits which the contributor may gain and any conditions attached to the contributions.

Approval of Tied Contributions: APEC Support Fund Sub-Funds

6. Donors can earmark contributions for specific high priority sectors (e.g., telecommunications) or sub-sectors (e.g., telecommunications infrastructure). These are termed “tied funds” and the

funds will be managed under a relevant sub-fund of the APEC Support Fund. The establishment of a new sub-fund will require the approval of BMC – where possible tied funds should be channeled to an existing sub-fund. The approval process for tied funding would otherwise be the same as in paragraph 5 above for general donations to the APEC Support Fund.

7. The following are general principles for the APEC Support Fund Sub-Funds:

- (a) An economy or organization wishing to establish a sub-fund is to apply to the Secretariat for approval by BMC. This may be approved intersessionally.
- (b) If a sub-fund proposal covers a generic area within APEC (e.g., counter-terrorism, energy, or intellectual property) the relevant APEC forum/ fora will first consider the application before it is approved by the BMC.
- (c) Sub -fund proposals are to state how they align with the objectives of APEC.
- (d) The principles of the APEC Sponsorship Guidelines will apply to non-member funding/co-funding of a sub-fund.

8. Allocation of funds to specific projects under the ASF will take place through the application of APEC project selection procedures in line with APEC's new quality assessment framework endorsed by Ministers in November 2004. Donors cannot however earmark contributions against a specific project or activity. Offers to fund specific projects should be pursued as a sponsorship arrangement and considered under sponsorship approval procedures.

Procedures for Projects under the APEC Support Fund

- 9. Projects for funding under the ASF (including its sub-funds) will, in principle, be open for participation by all APEC members, but funding will be available only for capacity building projects that primarily benefit developing economy members. If it furthers the interests of APEC, one or more non-APEC developing economies may be additional beneficiaries of an ASF proposal. This will be determined on a case-by-case basis in accordance with normal procedures on non-member participation in APEC activities.
- 10. The procedures governing the ASF will be similar to those governing other APEC projects as set out in the Guidebook on APEC Projects. In regard to the ASF there will be:
 - (a) *An Approval Process through the BMC to Ensure Compliance with APEC Objective:*
 - (i) It is open for the ASF (including its sub-funds) to call for and receive project proposals within its ambit from interested economies or fora or to commission projects.

- (ii) Project proposals will be assessed by the Secretariat, following consideration by the relevant APEC fora, against several criteria:
- the degree to which the proposal meets the objectives and priorities of APEC;
 - the degree to which the proposal meets the requirements of the Quality Assurance Framework; and
 - value for money.
- (iii) The Secretariat will make recommendations to the BMC on whether the proposal meets minimum fund guidelines. Where appropriate, the Secretariat will consult with project proponents to ensure the quality of proposals.
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- (iv) The Secretariat's assessment will be forwarded to the BMC for consideration and prioritization and approval. In special cases where project priority and urgency are judged to be significant the Secretariat could seek BMC approval intersessionally.

(b) *Application of a Comprehensive Project Management and Evaluation Framework:*

Projects under the ASF will be assessed, monitored and implemented under a comprehensive project management and evaluation framework. This is consistent with the goal of the ESC and BMC (endorsed by Ministers) to improve evaluation of ECOTECH projects through the work of the ESC-Small Group on Evaluation.

Other Considerations

11. The ASF's management arrangements will evolve according to the size and requirements of the fund. Additional expenses for the Secretariat operating the ASF and sub-funds will initially be an upgrade of one existing accounting staff position. In addition, Australia has provided a new PSM as part of its contribution to the ASF. If the number, value and complexity of projects under ASF (and its sub-funds) increase there may be a need for additional Program Assistant(s) or other assistance on an ad-hoc basis. The costs of such assistance may be absorbed by the Administrative Account (AA), as was done when the TILF Fund was established.
12. A portion of the ASF's funds will be available to the Secretariat to administer ASF projects. The portion will initially be set at 5% of monies available in the fund (subject to review by the BMC after 12 months). Activities paid for by this portion will include assistance to the Secretariat for assessing and monitoring ASF proposals for the BMC.
13. The ASF will produce an annual report for the BMC which will be forwarded, together with any BMC observations, to SOM.
14. The Fund (including sub-funds) will be audited by the Secretariat's auditors.