



Asia-Pacific
Economic Cooperation

**2007 Report of the Executive Director of the
APEC Secretariat to the
19th APEC Ministerial Meeting**

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Executive Summary

The 2007 Report of the Executive Director of the APEC Secretariat to the 19th APEC Ministerial Meeting to Ministers outlines the major deliverables from the APEC Secretariat this year, highlighting key reforms implemented. These include recruitment and establishment of the position of a Chief Operating Officer to improve management of financial and corporate areas; professionalisation of the IT and project management functions; internal budget and financial reforms to increase transparency and accountability; and support for cost effective innovations such as video-conferencing to reduce the volume of APEC travel to meetings and project activities.

Required Action/Decision Points

- **CSOM** to endorse the 2007 Report of the Executive Director of the APEC Secretariat and recommend it to the 19th APEC Ministerial Meeting for endorsement;
- **AMM** to note the 2007 Report of the Executive Director of the APEC Secretariat to the 19th APEC Ministerial Meeting.

**2007 REPORT OF THE EXECUTIVE DIRECTOR OF THE APEC SECRETARIAT
TO THE 19TH APEC MINISTERIAL MEETING TO MINISTERS
(CSOM, 2-3 September 2007)**

In 2007, the APEC Secretariat has continued its focus on reform and strengthening of corporate functions, professionalisation of project management, improvement of budget and financial management and implementation of the 2006-7 SCE fora review of committees and working groups. While much has been achieved, this internal reform work needs to be continued and further consolidated during the remainder of 2007 and into 2008, to ensure that the Secretariat is able to effectively support and meet the needs of member economies.

Key outcomes in 2007 for Secretariat operations have included the following:

- I. Improvement of Oversight, Corporate Programs and Structure** In line with Leaders and Ministers' APEC 2006 Reform Deliverables, the Secretariat: recruited a Chief Operating Officer (COO) and Director of IT; developed proposals for an increase in member contributions, together with a range of measures to improve budgetary and financial management; commenced implementation of staff structure and HR management reforms recommended by a major consultancy study conducted in 2006-07; and identified the need to improve APEC's communications and outreach programs.
- II. Project Management** In 2007, the Secretariat established a new Project Management Unit, with a specialist director, which will ensure more efficient and effective use of APEC's capacity building resources. A new project data base was launched; we received a record number of project proposals, and welcomed new US and Chinese contributions for the ASF account, and a new US pledge for the TILF.
- III. Fora Support and Fora Reform** In 2007 the Secretariat continued to focus on implementing reforms of fora adopted by the 2006 Steering Committee on ECOTECH (SCE) Fora Review. This included the drafting of revised Guidelines for Lead Shepherds and Chairs and the Guidelines for the Establishment of new fora, the successful merger of several Working groups/fora and the establishment of the Health Working group and Mining Taskforce.
- IV. Advancing Further APEC Secretariat Reform:** The Secretariat has been providing the operational and administrative support for additional reforms which will further strengthen APEC's institutional base, including:
 - A 30% increase in APEC members' financial contributions to US\$5,000,000 from 2009;
 - establishing a Policy Support Unit to conduct research and analysis; and
 - closer cooperation with ASEAN.

I. Improvement of Oversight, Corporate Programs and Structure

A. Appointment of Chief Operating Officer and Staff Structure Review

This year a Chief Operating Officer (COO) for APEC was appointed in April, a major internal management reform. As Executive Director, I commend the performance of the new COO, in this new and important position, and in getting this key new role established, and I look forward to Senior Officials and Secretariat staff giving this position their continued full support.

Introduction of the COO position has improved corporate management within the organisation, with the COO's overseeing the corporate managers of Finance, IT, Communications/Public Outreach and Administration. The role of the newly created COO position, especially vis-à-vis the Corporate Units, is now being reviewed and fine-tuned to ensure it suits the needs of the Secretariat.

B. Corporate Divisions

1. Administration and Human Resources Management

As a follow-up to the APEC Staff Structure Study, which was completed in June 2007 and presented to SOM III in Cairns, the following measures will be implemented:

- review of the role of COO after the first six months operation of the position; and
- improving the management/administration of locally recruited staff.

Other recommendations of the Staff Structure review will be carried out over the remaining months of 2007 and into 2008. These are aimed at achieving greater simplicity and transparency in performance appraisal, bonuses and salary scales. The Secretariat is also trialling the outsourcing of travel arrangements.

2. Finance Division

A number of internal reform proposals have been recommended for SOM approval. These include:

- separation of the Administrative and Operational Accounts (AA and OA) and establishment of reserves for each account; & discontinuing the SOM Contingency Fund of US\$150,000, once sufficient reserves have been accumulated;
- budgeting for expenditures on the AA on an *actual* instead of *net* basis;
- removal of the 5% management fee payable to the AA for contributions to the APEC Support Fund (ASF) from 2009 and immediately for new contributions;
- budgeting for the replacement of fixed assets, including motor vehicles, furniture and fittings, IT equipment, etc., under a fixed asset replacement plan from 2008; and
- providing a quarterly financial report of all accounts to the BMC and Senior Officials to enable more effective scrutiny by Member Economies.

3. IT Division

With employment of professional IT Director in 2007, there has been a complete review of current IT policy, licensing arrangements and documentation. For the first time an overall IT strategy is being developed, together with a more comprehensive Business Continuity strategy. Support for Host needs such as for the Less-Paper Meeting System (LPMS) and for essential external stakeholder tools such as the AIMP and the PDB remain high priorities. The current Microsoft license MOU agreement for AIMP expires at the end of December 2007, and the IT department are discussing the options with Microsoft for a long term licensing strategy, for AIMP and Secretariat internal systems. The IT Department are also working closely with 2007 host Australia & 2008 host Peru, to ensure smooth transition of the LPMS, which Australia's APEC Task Force customised and improved for use this year.

4. Communications

In 2007, the Secretariat and member economies have considered the need to strengthen outreach and communications efforts and find more effective means to convey key messages about APEC's work. At SOM and BMC meetings, economies have raised the issue of APEC's communications strategy, the need for independent evaluation and analysis, additional resources, and professionalisation of the communications team. It is clear that more work is needed to improve APEC's outreach efforts and reach targeted audiences more effectively.

In 2007 a refreshed APEC logo was approved in principle at SOM III. Technical guidelines are being prepared and the new logo will be uploaded to the APEC website at the end of September for use by members and fora. Functionality of the website was improved in 2007 with installation of a workflow management system to ensure that all information on the website is kept up-to-date. To streamline APEC publications, we have reduced the number of printed copies of reports produced, with others being made available electronically.

C. ISO; Quality Management

Since 2002, the APEC Secretariat has achieved and continued to meet the requirements of the International Organisation for Standardisation's standard ISO 9001:2000 on Quality Management Systems. The ongoing quality management process within the Secretariat is aimed at ensuring that we continue to improve on services provided to stakeholders. The Secretariat addresses all feedback received from staff and stakeholders which are channelled through the Quality Management Representative.

In 2007, the Secretariat has undertaken several measures to further improve its performance. These include developing the *Best Practices Guidelines for Program Directors* which aims at providing guidance on the types and standards of service that are provided by Program Directors; eliciting feedback from Chairs and POs on the Secretariat's service levels through a survey of stakeholders; and facilitating an External Audit which was conducted by the Lloyd's Register Quality Assurance Limited in May.

II. Project Management

In 2007, a new Project Management Unit was established to pool project management skills and expertise and provide expert advice and guidance to project overseers. The PMU will improve coordination of project activities, ensure more cost-effective and targeted projects, and help build capacity in project management within the Secretariat and the wider APEC community. Project management has improved with new quality assessment mechanisms put in place.

A new project database was launched in January 2007, which provides members with a comprehensive project management tool, including online project applications. At BMC2, over 150 project applications were conducted online through the project database.

III. Fora Support and Fora Reform

In addition to the usual level of support for the SOM and other APEC fora, the APEC Secretariat has continued to provide support to the SCE to assist its ongoing fora reform efforts. The Secretariat provided support for the successful merger of the Working Group on Trade Promotion into the Small to Medium Enterprise Working Group; the Social Safety Nets Capacity Building Network into the Human Resource Development Working Group; the upgrading of the Health taskforce into the Health Working Group; and the merger of the Non-Ferrous Metals Dialogue and the Energy Working Group's Expert Group on Mining, Exploration and Energy Development (GEMEED), to become a new Mining Taskforce.

The APEC Secretariat has also recommended that the production of a stand alone APEC Food System (AFS) report to AMM be discontinued from 2007. Instead, efforts will be concentrated on improving the AFS itself.

IV. Advancing Further APEC Secretariat Reform

1. Increase in Member Contributions

During the course of this year, the Secretariat has prepared detailed proposals for an increase in member contributions, designed to ensure the Secretariat's long term financial viability, operational capability and effectiveness.

The BMC has now recommended that Senior Officials endorse for Ministers' approval an increase in contributions of 30%, from US\$3,864,000 to US\$5,000,000, from 2009. The Secretariat, through BMC, has also recommended a number of mechanisms to improve the transparency and accountability of budget processes (see above), important in light of this expected increase in member contributions. Economies can be assured that the new measures, together with greater continuity in corporate oversight by the COO, will result in simpler and more transparent financial management within APEC.

2. Policy Support Unit

The establishment of a Policy Support Unit in the Secretariat whose aim is to provide analytical support and reinforce policy recommendations on APEC's trade and economic agenda is now proposed for Ministers' approval in Sydney. The Secretariat has been in discussion with the Singapore government which has generously agreed to provide additional office space to the APEC Secretariat to accommodate the unit, once established. The Secretariat has also made an assessment of the potential overheads and administrative needs of the PSU, and is ready to assist in its implementation.

3. Closer Cooperation with ASEAN

In 2006 APEC Ministers and Leaders instructed APEC to examine the possible strengthening of cooperation with ASEAN. In a meeting with ASEAN Secretary-General Ong, we have identified several areas where we could develop more substantive and practical contacts, initially through **observership at each others' regular working group meetings** (Health, SMEs and Industrial Science and Technology). Areas of potential collaboration in projects will also be explored by these groups. More generally, the new APEC PMU (see above) will share best practices, innovations and new methodologies with ASEAN Secretariat colleagues. It is also proposed that ASEAN and APEC hold an annual workshop on selected topics of common interest.

V. World Bank's Global Development Learning Network video-conferencing

An information paper has been tabled separately on this initiative (2007/CSOM/010), and the full feasibility study is posted on the SOM Chair site of the ACS (under "Secretariat Notes"). The paper recommends a phased experimental approach to APEC's engagement with GDLN, including training and trial projects this year, without the need for any financial investment in these initial phases. Consideration of a more developed framework for engagement will follow in 2008. It is recommended that Senior Officials endorse this phased approach and agree to review the GDLN project in 2008.

Required Action/Decision Points

It is recommended that CSOM:

Endorse the 2007 Report of the Executive Director of the APEC Secretariat to the 19th APEC Ministerial Meeting.

It is recommended that Ministers:

Note the 2007 Report of the Executive Director of the APEC Secretariat to the 19th APEC Ministerial Meeting.