



**Asia-Pacific
Economic Cooperation**

**APEC Policy Support Unit
Governance Arrangements**

APEC POLICY SUPPORT UNIT GOVERNANCE ARRANGEMENTS

Background

1. APEC's trade and economic orientation, pan-Pacific membership and non-binding nature make it an ideal forum for exchanges on trade and economic policy reform and cooperation. The work to underpin these exchanges is largely undertaken by individual committee chairs and members. The APEC Secretariat is small and its capacity to undertake evaluation and research, prepare policy papers and support the chairs of APEC fora is limited.
2. The Committee on Trade and Investment (CTI), Economic Committee (EC) and Senior Finance Officials Meeting (SFOM) are responsible for driving APEC's core work on trade and investment liberalisation and facilitation and economic policy reform. The CTI and its sub-fora have typically relied on the resources of a small number of members to drive their work programs – supplemented by access to project funding for specific workshops or activities. A similar situation applies to SFOM. The EC has reoriented its work program to reflect the Leaders' Agenda to Implement Structural Reform (LAISR). While the EC has developed a sound work program for LAISR neither it nor the Secretariat has the research or policy development capacity to effectively implement it. Nor does the Secretariat have the capacity to provide advice and support to economies seeking to implement policy reform.
3. Chairs of committees and sub-fora are expected to shoulder a heavy proportion of the workload. The fact that the vast majority of participants in APEC have other responsibilities makes it difficult for them to devote extra resources to APEC. These constraints are exacerbated in smaller economies and act as a deterrent for representatives of smaller economies to seek to chair APEC fora. More professional resources are needed to assist the CTI, EC and SCE to implement their agendas.
4. Ministers agreed in Hanoi in 2006 that APEC's resources needed to be increased substantially to meet contemporary demands. In September 2007 APEC Ministers agreed

to establish an APEC Policy Support Unit (PSU) to provide analytical and evaluation capacity and assist in coordinating related economic and technical cooperation for the development and implementation of APEC's trade, investment, economic reform and energy policy agenda.

Objective and Scope of Work of the PSU

5. The PSU will assist APEC member economies in economic and structural reform, trade and investment liberalisation and facilitation and energy and related ECOTECH policies by:
 - a. undertaking analytical work or commissioning research for consideration by APEC committees;
 - b. preparing policy dialogue papers for APEC committees;
 - c. designing and implementing capacity building programs;
 - d. evaluating progress in implementation of policy measures; and
 - e. identifying high level policy principles and best practice.

6. Other areas of work may be considered subject to consistency with directions set by SOM and the advice provided by the Board (see below) and availability of resources. Any capacity building activities should take account of the work of the Secretariat's Project Management Unit. The work undertaken by the Policy Support Unit would be determined by the relevant APEC fora, with SOM's endorsement, taking into account members' views.

7. The PSU will be staffed by a number of professionals. The specific size of the PSU will be determined on the basis of its financial resources and its tasks, as endorsed by SOMs. As well as in-house work (e.g. policy dialogue papers), the PSU will manage technical work commissioned from external consultants. The PSU will draw on expertise in international and regional institutions and member economies, including APEC Study Centres. The PSU will also be tasked to provide and coordinate assistance and analysis to individual economies on economic policy issues if there is demand for this and sufficient resources are available.

8. The PSU offers the potential for APEC fora to elevate the quality of their deliberations with access to tailor-made analytical work and provides for greater follow-up of initiatives intersessionally. Put simply, the PSU will provide greater horsepower to APEC's work on trade and investment and economic policy issues.

Governance regime

9. **Objective:** Implement a structure that will ensure the PSU fulfils its intended functions and satisfies its various stakeholders by producing quality output that has APEC "ownership."
10. The work undertaken by the PSU will reflect APEC's priorities as set out by the statements of Leaders and Ministers. Specific activities will be selected on the basis of consensus by the relevant APEC fora – particularly EC, CTI and SFOM – with SOM's endorsement.
11. Where specific APEC priorities are being pursued at the SOM level, SOM may seek a contribution from the PSU. Such decisions by SOM would be made on the basis of consensus.
12. A Board will be formed to provide work program advice and broad operational oversight of the PSU, including long-term strategic guidance. The Board will ensure that the work and expenditure plans of the PSU remain consistent with APEC's priorities, as established by Leaders and Ministers.
13. The Executive Director of the Secretariat will have administrative oversight of the PSU.
14. The Director of the PSU will be responsible for managing its workload, overseeing its day-to-day activities and supervising PSU staff.
15. In the course of its work the PSU will maintain close lines of communication with Program Directors in the Secretariat. Program Directors will retain their current roles as secretaries to committees and sub-fora.

16. The PSU Director will keep relevant (i.e. tasking) fora informed of progress in undertaking tasks.
17. The PSU Director will regularly report on its activities to the Executive Director of the Secretariat.
18. All completed projects undertaken by the PSU will be conveyed to the responsible committee and will only be released publicly with the approval of the committee and SOM, as per standard APEC practice on publications (i.e. on the basis of consensus).
19. The Board will regularly report the outcomes of its meetings to the SOM and distribute official Board minutes to SOM as soon as practicable after Board meetings.
20. The SOM Chair will brief the Board on SOM deliberations and decisions concerning the PSU.

Establishment of the PSU

21. The PSU will consist of:
 - a. the Board; and
 - b. the Director and staff of the PSU.

Structure of the PSU Board

22. **Objective:** The Board is to provide effective guidance and direction to the PSU.
23. The Board will comprise representatives from:
 - a. the current, immediate past and the next host economy; and
 - b. any economy that has, in the current or most recent calendar year, made a financial or in-kind contribution that SOM considers reasonable.

24. The Executive Director, PSU Director, and Chairs of the CTI, EC and SFOM will attend Board meetings in an ex-officio capacity. Other Chairs of APEC fora can be co-opted as appropriate.

25. The SOM Chair (or his/her delegate) will be Chair of the Board and a Senior Official (or his/her delegate) from the following year's APEC host economy will be Vice-Chair.

Functions of the PSU Board

26. The functions of the Board are:

- a. on behalf of SOM provide strategic guidance to the PSU;
- b. set and approve the forward work plan, taking into account the directions from SOM, CTI, EC and SFOM, by:
 - i. discussing research priorities, research proposals and economic and technical cooperation initiatives, taking into account APEC's priorities and the requirements of the relevant APEC fora;
 - ii. provide guidance to the PSU Director on work to be undertaken, including timeframes for completion or delivery of the work;
- c. approve PSU's annual funding/budget, consulting the Budget and Management Committee where appropriate;
- d. approve the PSU's annual report.

27. The Board should plan to meet in the margins of the APEC SOMs and/or at the Secretariat in Singapore to discuss and approve decisions relating to the above.

28. A simple majority of Board members will constitute a quorum.

29. If the Chair is not available, Board meetings will be chaired by the Vice-Chair of the Board.

30. Board meetings can take place on a virtual basis (teleconference or videoconference) if necessary.

31. Decision-making of the Board will be by consensus.

32. Minutes will be taken at each Board meeting and, after approval by Board members, will become the official record of meetings. The APEC Secretariat and PSU will retain official records of Board meetings.
33. While the Board maintains decision-making powers on the PSU's work program and budget, the PSU maintains responsibility for research conclusions and publications submitted to committees or economies.

Function of the PSU Director

34. The PSU Director will be responsible for the day-to-day operations of the PSU including management of its work program, budget and procurement of consultants.
35. The PSU Director will implement the principal objectives of the PSU and ensure its work programme is undertaken in a timely manner.
36. The PSU Director will seek approval from the Board when changes are required to the PSU's work program or budget.
37. The PSU Director will prepare a concise half-year evaluation report for the Board on work undertaken and expenditure and commitments.
38. The PSU Director will be accountable to the Board for his/her performance in carrying out the work program.
39. The PSU Director will be accountable to the Executive Director on administrative and day-to-day issues.
40. The PSU Director will consult the Executive Director in respect of relations with external clients where the PSU is acting on behalf of APEC.

Selection of the PSU Director

41. The Board will be responsible for selecting the PSU Director, and SOM is the final body to approve such selection.
42. The PSU Director will be expected to have appropriate research and/or bureaucratic experience, including at the management level, and strong interpersonal and cross-cultural skills.
43. The PSU Director will be employed for a fixed term under a professional employment contract.
44. Internationally competitive remuneration and conditions will be offered in order to attract appropriate candidates.

PSU staffing and terms of employment

45. The PSU's staff will be based at the APEC Secretariat in Singapore and will be employed for fixed terms under professional employment contracts (i.e. not employed permanently).
46. Staff will be hired at internationally competitive rates.
47. The Board and PSU Director will maintain oversight of a transparent, merit-based hiring process – which could be managed by an appropriate recruitment company.
48. Candidates will be citizens of APEC member economies. The objective of the recruitment process will be to employ the best person for the vacancies available, regardless of nationality. There is no need to have a quota system.
49. Government, IFI and academic experience will be highly regarded.
50. The PSU Director will be responsible for overseeing staff performance and contracts.

51. The PSU Director will implement staff performance agreements with each staff member, based on realistic performance indicators. The agreements will provide the basis for biannual formal discussions with each staff member on their performance.

Consultants

52. The Board can engage consultants to perform services for the PSU such as technical, specialised or intensive work or work that would be better undertaken externally due to cost, resources or other operational factors.

53. The Board should approve the budget for each project but may delegate to the PSU Director responsibility to engage consultants on a project-by-project basis.

Annual reports

54. As soon as practicable after each calendar year, the PSU must submit to SOM an annual report on the PSU's operations during that calendar year.

55. The PSU Director is responsible for preparing a draft annual report for the Board's approval. A report must include the following:

- a. information about the PSU's operations, activities and outcomes during the relevant calendar year;
- b. particulars of all directions given by Ministers, SOMs and the Board;
- c. financial performance;
- d. audited financial statements; and
- e. outlook and thoughts on forward work agenda.

Branding

56. The PSU will be identified as part of the APEC architecture and branded accordingly.

Mandate

57. The operation of the PSU was first reviewed in 2010 leading to an extension of the PSU mandate until the end of 2013, and again in 2012 leading to an extension until the end of 2020. Following a mid-term review to examine the strategic direction of the PSU in 2017, an ongoing mandate was granted to the PSU from 1 January 2018, subject to the PSU having the financial resources needed to continue operations.

58. In the event that the PSU is unable to sustain operations financially and a decision is made to dissolve the PSU, unspent funds will be returned to contributing economies and SOM will decide how to allocate outstanding work and/or functions.

Amendments

59. SOM may amend these governance arrangements at any time, using its ordinary decision making processes.

60. The Board may submit to SOM suggested amendment to these governance arrangements, which SOM may make in accordance with clause 59.

Delegation

61. SOM may delegate any of its functions in relation to the PSU, or under these governance arrangements, to the Board, other than the ability to delegate.

Publication

62. These governance arrangements will be publicly available.