



**THE FOUNDATION FOR  
DEVELOPMENT COOPERATION**

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# **Achieving APEC's Ecotech targets**

## **A progress report and proposals**

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## Preface

This paper has been prepared for The Foundation for Development Cooperation (FDC) by Andrew Elek, the inaugural Chair of the APEC Senior Officials Meeting (SOM) in 1989. A founding official of the APEC process, Andrew has been the principal architect of FDC's series of 'policy dialogues', which have explored the potential of economic and technical cooperation (Ecotech) to advance APEC goals since 1995. Composed of independent analysts, FDC's policy dialogue group has met in a number of countries, as responsibility for leadership of APEC has passed from one member economy to another. This paper is to be tabled at the latest policy dialogue convened by FDC and co-hosted by El Colegio de Mexico in Merida, Mexico, in conjunction with the second series of SOM meetings in May 2002.

The policy dialogue on economic and technical cooperation in APEC is one of the major pillars of a broader FDC 'Regional Cooperation' program. Continuation of the policy dialogue process has been supported largely on the basis of feedback from participating economies (Philippines in 1996, Malaysia in 1998, Brunei in 2000 and China in 2001). This feedback confirms that consultation with an informed but independent group has proved useful to the respective SOM Chairs, as a source of innovative thinking and facilitating a longer term approach to the evolving economic and technical cooperation agenda.

Several members of the group, including Dr Elek, my predecessor Dr John Conroy and I, were invited by Mexico to contribute to the 'Symposium on Perspectives for APEC 2002' in December 2001. With the continued support of Dr Conroy, FDC is contributing actively to Mexico's development of microenterprise and microbanking as elements in a more comprehensive APEC agenda, with special attention paid to gender issues. FDC would like to record its appreciation of the leadership demonstrated by the Government of Mexico in these areas.

In this paper Andrew Elek observes that, from the late 1990s, APEC member economics have sought to broaden the trade and investment liberalisation and facilitation (TILF) Agenda. The Brunei commitment to community access to the Internet in all economies, the priority given by China to capacity building and the focus on microenterprise development introduced by Mexico are goals which could easily be neglected without continuing and concerted effort. Far from being a distraction from the TILF objectives, these new goals are complementary to and supportive of TILF.

Dr Elek argues that, for APEC to gain momentum on these new objectives, it needs to reform the structure of its Working Groups and enhance the role of the Ecotech Sub-Committee (ESC). Only by doing so can it achieve the necessary 'across-the-board' mobilisation, such as occurred following APEC's adoption of the Bogor goals. The creation of special Task Forces with responsibility for advancing all major commitments of APEC Leaders would ensure that continuing attention and resources were directed to such goals.

Elek argues that the community Internet access goal might be progressed via such a Task Force and also through pilot projects to demonstrate how community access might be assured in some of the more difficult and remote locations in developing APEC member economies. Such a restructuring of APEC machinery could be an appropriate task for Mexico in its year at the helm.

FDC is proud to offer this paper by Andrew Elek as a further contribution to discussion of economic and technical cooperation in the region.

Beris Gwynne  
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## Acronyms

ABAC	APEC Business Advisory Council
APEC	Asia Pacific Economic Cooperation
APIAN APEC	International Assessment Network
BMC	Budget Management Committee
CAP	Collective Action Plan
CST	Community Service Trust
CTI	Committee on Trade and Investment
EAP	Ecotech Action Plan
Ecotech	Economic and Technical Cooperation
ESC	Ecotech SubCommittee
ETCC	Ecotech Committee
FDC	The Foundation for Development Cooperation
HRD	Human Resource Development
IAP	Individual Action Plan
ICT	Information and Communication Technology
IT	Information Technology
MRT	Ministers Responsible for Trade
NGO	Non Government Organisation
PECC	Pacific Economic Cooperation Council
SOM	Senior Officials' Meeting
TILF	Trade and Investment Liberalisation and Facilitation
WTO	World Trade Organisation

## **About the author**

Dr Andrew Elek is Executive Director of Bellendena Partners, an enterprise involved in economic consultancy specialising in international economic cooperation issues.

Dr Elek is a Research Associate of the Economics Division of the Asia Pacific School of Economics and Management at the Australian National University and of the Department of Economics at the University of Tasmania. He has worked extensively in development economics in South Asia and the South Pacific, including with the Government of Papua New Guinea and as a Senior Economist with the World Bank as well as several high-level roles within the Australian Government.

As the inaugural chairman of APEC Senior Officials in 1989, Dr Elek had a central role in the establishment of the Asia Pacific Economic Cooperation process. Since 1995, he has led the international research team convened by FDC for promoting economic and technical co-operation through APEC. He was appointed a Member of the Order of Australia in 1991, for service to international relations.

## Executive summary

During much of the 1990s, the APEC process was dominated by the collective efforts of Asia-Pacific governments to implement their Bogor commitment to achieve free and open trade and investment by 2010/2020. Following the financial crises of the late 1990s, APEC has sought to broaden its scope beyond issues of international trade and investment.

From 2002 to 2004, the process will be led by three developing economies: Mexico, Thailand and Chile. This is seen as an opportunity to achieve consensus on an appropriate balance between APEC's trade and investment liberalisation and facilitation (TILF) efforts and its other Ecotech work.

The Mexican government is seeking ways to demonstrate that cooperation through APEC can lead to tangible benefits to all of the people of the region. Especially in developing economies, a high proportion of the workforce is engaged in very small-scale income-earning activities, or microenterprise. At their next meeting, APEC leaders may decide to adopt targets for efforts to enhance the prospects of these enterprises. But will these targets be followed up?

The 2000 Declaration of APEC leaders set the objective of individual or community-based access to information and services offered via the Internet to everyone in the region by 2010. Access to information and communications technology (ICT) is of enormous potential value to microenterprises, so this target will complement other efforts that may be launched in 2002. Broadening access to the Internet will also complement the drive towards free and open trade and investment. As more people perceive the vast range of new opportunities to benefit from engaging in international as well as domestic markets, there will be additional support for dismantling obstacles to international economic transactions.

Largely due to market forces and technological developments, access to the Internet is widening very rapidly. That does not mean that all communities, especially in remote locations, are assured of access by the target date of 2010, so there is a role for governments. Several APEC governments have set up programs to provide community-based access to online services to remote areas. As a positive example, the Mexican Government and Microsoft have agreed on cooperation to provide access to the Internet to all communities in Mexico by 2006.

These are very important initiatives, but they need to be extended to cover all of the region. International cooperation is likely to be needed to reach the most remote communities in economies like Vietnam, Papua New Guinea and the Pacific Islands. However, up to now, there has been no concerted effort to develop a strategy for cooperation among APEC governments to enhance the prospects of region-wide access to ICT.

This suggests that the APEC process needs to have a more effective means of responding to initiatives from its leaders, not just in TILF, but for all targets explicitly endorsed by APEC leaders.

After APEC leaders agreed on the Bogor goal of free and open trade and investment, a major effort was launched to ensure that the 2010/2020 targets were taken seriously. Responsibility for promoting and monitoring progress was assigned to a newly created Committee on Trade and Investment (CTI). An intensive 12-month effort led to the adoption of the Osaka Action Agenda which set out what needed to be done and the principles necessary to guide individual and collective action by APEC governments to implement the agenda.

Individual Action Plans (IAPs) and Collective Action Plans (CAPs) set out the achievements and commitments of APEC governments, while regular peer reviews of Action Plans are

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helping to enhance and accelerate the pace of implementation. These steps, and a clearly defined mechanism, have contributed to the commendable progress towards the Bogor goals.

A corresponding effort is needed if the vision of region-wide access to ICT via the Internet, as well as further targets which may be set in 2002 and beyond, are to be taken seriously.

Part of the solution is more continuity. Any new objectives agreed during Mexico's leadership of APEC will need to be implemented by its successors. To help ensure that its initiatives are followed up, Mexico should use 2002 to reform the structure of APEC working groups and their work programs to make them more responsive to new objectives endorsed by APEC leaders. And the best way to test the new structure is to challenge it to provide a meaningful response to the Brunei Darussalam vision of region-wide access to ICT by 2010.

A new structure will also need to enhance the resources and authority of the existing APEC Sub-Committee on Ecotech, the ESC. A new Economic and Technical Cooperation Committee (ETCC) should be established. It would take over the coordinating mandate of the ESC, together with responsibility for ensuring an effective response to new objectives set by APEC leaders.

Members of the ETCC are not likely to have the technical expertise to design strategies for meeting objectives such as region-wide access to ICT via the Internet. Specialist task forces are likely to be needed to draft a strategy for progress towards each new Ecotech objective. This paper recommends that an ICT access task force be established at the outset, with membership from the private sector and multilateral development agencies as well as from relevant APEC working groups. This group would then draw up a strategy for extending access to ICT to all communities.

The ETCC would be responsible for facilitating the work of task forces and reporting regularly to APEC ministers and leaders on progress made and problems encountered. Implementing such a strategy typically involves more than one existing working group, so the new ETCC would need to have the authority to mobilise support from all relevant groups.

Since access to ICT via the Internet is already spreading rapidly, an APEC Task Force set up to implement the Brunei Darussalam target of region-wide access to would not need to set out a full 'road-map' for all the investment that will be needed. It will be more effective to think ahead:

- firstly, to assess where market forces are least likely to provide at least community-based access
- secondly, what can be done to increase both the demand and the incentives for the investment needed in such difficult places.

The final sections of the paper set out some of the likely ingredients of an APEC strategy to facilitate and accelerate the spread of access to ICT via the Internet, and to ensure it can reach all of the people of the Asia Pacific. These ingredients include:

- gathering information about the ongoing public and private sector efforts to extend access to ICT to remote, or otherwise disadvantaged locations
- learning from the rapidly accumulating experience
- encouraging new public/private partnerships to supplement current efforts
- sharing experience on ways of adapting policy for telecommunications in response to changing technology
- investigating options for intermediation in telecommunications markets to promote low-cost access by small users in remote areas.

Any APEC strategy will need to evolve in the light of experience, so it may be useful to encourage pilot projects in some remote areas, for example, in the Pacific Island economies. Papua New Guinea has set up an institution designed to enhance the prospects of extending

infrastructure to more rural areas. This could provide an opportunity to test ways of reaching some remarkably remote communities.



## Part I Background

Ecotech and capacity-building are now firmly established within the APEC process. It is now well understood that capacity-building is needed to achieve the Bogor vision of free and open trade and investment, as well as the growing range of other targets that are being adopted at successive annual meetings of APEC leaders.

Up to 1998, APEC's progress tended to be measured largely in terms of reductions in border barriers to international trade. Following the financial crises of the late 1990s, APEC leaders have sought to widen the scope of cooperation. For example, they have committed themselves to helping APEC economies enhance their capacity for financial sector management. In late 2000, the Brunei Darussalam leaders' declaration made a specific commitment to extend individual or community-based access to information and services offered via the Internet by no later than 2010. In 2001, the leaders endorsed a target of reducing the costs of international transactions by 5 per cent per year.

Achieving these additional targets relies heavily on capacity-building, so there is no longer any debate about the essential role of capacity-building within the APEC process. It is the lifeblood needed to provide the energy to achieve all of APEC's objectives, including progress towards free and open trade and investment. Capacity-building is the means to achieve agreed objectives, whether in TILF or APEC's other activities, namely Ecotech.<sup>1</sup>

APEC has developed a systematic approach to promoting progress towards the TILF objective of free and open trade and investment. But there is no comparable structure to follow up other objectives which have been adopted for other aspects of APEC's agenda. In particular, the landmark commitment to provide at least community-based access to information and communications technology (ICT) via the Internet is in some danger of being neglected.

A high-level meeting on human capacity-building for the new economy was convened in Beijing, in May 2001. The Brunei Darussalam declaration of APEC leaders stated that this meeting was to be the first step towards building the public/private sector partnerships that will be needed to marshal the technologies and resources needed for region-wide access to ICT. The high-level meeting canvassed many aspects of human capacity-building.

Several APEC governments, mostly from developed economies, described programs to provide their remote, or otherwise disadvantaged, communities access to the Internet. However, this was not followed by a decision to devise a strategy for implementing the commitment of APEC leaders to extend access to ICT to all communities in all of the region.

Several useful initiatives have been taken at the individual economy level since the 2001 high-level meeting. For example, some leading ICT companies have established an information

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<sup>1</sup> The term Ecotech has been used in various ways and there is potential for some confusion. This could be avoided by using this term, Ecotech, to cover all activities promoted by APEC, other than the TILF objective of free and open trade and investment (managed by the CTI), or the work managed under the Finance Ministers Process. In that context, TILF would cover the work of the Committee on Trade and Investment (CTI), while Ecotech would cover the activities of other working groups. In practice, there will be some overlap. Capacity-building is the main means of pursuing both TILF and Ecotech objectives and the two types of activity are often complementary. For example, implementing options to facilitate trade often requires human capacity-building, while promoting region-wide access to ICT involves reducing obstacles to trade in services as well as extensive capacity-building. A potentially useful way of distinguishing between APEC's means and ends is to conceive of capacity-building as a 'means' of implementing all of APEC's 'ends', while Ecotech as the set of objectives other than those managed by the CTI or under the Finance Ministers Process. An Economic and Technical Cooperation Committee (ETCC) could then take responsibility for managing the achievement of APEC's Ecotech objectives, working in parallel with the CTI. The Annex to this paper sets out the reasons for such an approach.

technology training centre in China, which will train people from other economies as well as China itself. This is a very positive development; it sets an important precedent of a public/private partnership in promoting human capacity-building for the new economy. Such capacity-building is essential for achieving the target of widespread access to ICT. APEC is expanding, substantially, its work on capacity-building for the new e-economy.

As already noted, the Mexican Government and Microsoft have recently announced that they intend to co-operate in a program to extend the reach of the Internet to every community in Mexico by 2006. This is a potentially very useful precedent which others may be able to follow.<sup>2</sup>

Building on these initiatives, it should be possible to develop a comprehensive strategy for achieving the overall ICT target. It would focus on the challenge of reaching those remote communities in Asia-Pacific economies that are not covered by existing plans to extend access to the Internet.

Such a strategy is needed if the Brunei Darussalam commitment of APEC leaders is to be achieved. Having made the commitment, leaders should expect such a strategy to be mapped out and reported back to them. This does not appear to have happened: the 2001 declaration of APEC leaders did not even mention the commitment made in 2000.<sup>3</sup>

It is important to identify the reasons for the lack of any concerted follow-up of an explicit decision made by APEC leaders. Unless already agreed targets are taken seriously, not much can be gained by setting new ones.

One of the shortcomings which needs to be addressed is that the range of activities needed to achieve new targets is beyond the scope of any of APEC's existing working groups. No part of the APEC structure has an explicit responsibility for following up new targets. These weaknesses need to be rectified by some restructuring of APEC's organisation. Some proposals are set out below, following a brief look at issues for 2002.

## Challenges for Mexico in 2002

Mexico's chairmanship of APEC will be followed by those of two other developing economies, Thailand in 2003 and Chile in 2004. They are all eager to seize new opportunities for sharing the information, experience, expertise and technology available in the region. Such economic and technical cooperation can enhance prospects for further economic development at the same time as promoting closer regional integration.

In taking over leadership, the Mexican Government stated its intention to make APEC relevant to all people, with an emphasis on helping very small ('micro') enterprises. Work during the year is likely to lead to the endorsement of additional objectives for Asia-Pacific cooperation, which are designed to meet Mexico's objectives.

The next challenge is to ensure that any such targets aimed at microenterprises are taken seriously. To do that, it will be essential to identify those who are responsible for drawing up a well-defined strategy for progress, with adequate resources to make tangible progress towards implementing it. This strategy should then be submitted to APEC leaders for endorsement at their next meeting.

Recent experience indicates some risk that these crucial steps will not be taken. This risk cannot be eliminated, but it can be reduced in two important ways.

One is to avoid even the slightest perception that the pursuit of any new targets is at the expense of efforts to help achieve already agreed targets, including the commitment to free

<sup>2</sup> Microsoft and the Mexico aim to put the nation online, John Markoff, New York Times, April 17, 2002

<sup>3</sup> The 2010 target for community-based access to ICT via the Internet was mentioned in passing in the comprehensive review of all APEC activities by Ministers

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and open trade and investment by 2010/2020. That is needed to obtain the genuine commitment of all APEC governments, including past and future Chairs of the APEC process.

Secondly, the Mexican summit of APEC leaders will not only need to endorse only new targets, but will also need to create an APEC mechanism that can begin to promote progress towards those targets.

## **Synergy among APEC's objectives**

The broadening of APEC's ambitions is welcome, but adopting a wider range of targets could lead to a loss of coherence and a loss of credibility. To avoid these problems, it will be essential to select objectives that are not only mutually compatible, but also mutually reinforcing. This has been possible up to now, and Mexico's new emphasis on people engaged in microenterprises is consistent with existing objectives.

APEC governments have made considerable progress towards the key objective of free and open trade and investment. Border barriers have come down and many cooperative arrangements have been implemented to facilitate international economic transactions.

At the same time, the difficulties experienced in launching the Doha Round of WTO negotiations, and some recent decisions to raise some protective barriers, indicate that it will be hard to realise the Bogor vision in full. It will not be easy to muster the political will to deal with the remaining border barriers to trade, which are increasingly concentrated in 'sensitive sectors'. And there is a groundswell of popular opinion against globalisation or 'opening to the outside world'. This resistance springs from a belief that closer economic integration damages the interests of many people in both developed and developing economies. Organisations like the WTO and APEC are often portrayed as enemies of the most vulnerable sections of our societies.

Against this background, it is appropriate to look for ways of demonstrating that the APEC process can bring tangible benefits to all people, not just large businesses. In developing economies, the bulk of the workforce is engaged in very small enterprises. If APEC can set targets and implement strategies to improve prospects for such very small enterprises, then it will be seen to be helpful and relevant to their needs.

Recent history demonstrates that economies which have been able to involve more of their human resources in trade-oriented activities have been the most successful in improving their living standards. Accordingly, a strategy aimed at the concerns of microenterprises is consistent with APEC's strategy to enhance opportunities to become engaged in production for international as well as domestic markets.

As people become increasingly aware that lowering the costs and risks of involvement in international markets enhances their income-earning opportunities, there will be less resistance to, and more support for, free and open trade and investment.

Therefore, APEC governments need to do more than reduce obstacles. They also need to demonstrate to those engaged in small and micro enterprises, that lower barriers to international commerce create new opportunities, and to help them seize these opportunities. That, in turn, requires attention to capacity-building; both human capacity-building and better access to infrastructure and information.

Affordable access to the Internet can offer unprecedented access to a wide range of new information as well as vastly improved capacity to contact potential customers and suppliers. Realising the Brunei Darussalam vision of region-wide access to ICT via the Internet is a vital component of any emerging collective APEC effort to assist microenterprises.

For December 2002, the Mexican Government has indicated that the initial focus of such a strategy should be on looking for ways to support export-oriented microenterprises. These sectors offer many ways to demonstrate the synergy between APEC's growing range of objectives.

For example, small-scale tourism can benefit greatly from access to the Internet, combined with human capacity-building to make effective use of new ICT as well as continued progress towards facilitating trade in services. As noted by Professor Ramirez-Bonilla at the December 2001 symposium on APEC in Mexico City, there is a significant overlap between efforts to promote human capacity-building for the new economy and support for microenterprises. The new Mexican commitment to provide all its communities with access to the Internet by 2006, is an important ingredient of a long-term strategy to enhance the prospects of microenterprises.

There is no conflict between APEC's existing targets of free and open trade and investment, widespread access to ICT and the promotion of microenterprises. On the contrary, any strategy for microenterprises is much more likely to succeed if APEC can also achieve its already agreed objectives. At the same time, free and open trade and investment and access to the Internet are more likely to be achieved in combination with efforts to demonstrate their relevance to small and micro enterprises.

Mexico's intent to find ways to make APEC relevant to small and micro enterprises is, therefore, both timely and welcome. The next challenge is to find ways of achieving those objectives.

## **Implementing commitments**

The commitment to free and open trade and investment by 2010 and 2020 for developed and developing economies, respectively, was made in 1994. This was followed up by an intensive effort to develop a detailed agenda and guiding principles for TILF to achieve this commitment. The Osaka Action Agenda was approved in 1995. By the end of 1996, APEC governments had all drawn up Action Plans, both Individual Action Plans (IAPs) and Collective Action Plans (CAPs), to indicate how they would move towards the agreed Bogor targets.

APEC leaders have continued to pay close attention to progress towards the goal of free and open trade and investment. This has helped to ensure that Action Plans for TILF are updated and strengthened in each successive year, through a combination of peer review and peer pressure. APEC governments have continued to widen the scope, as well as accelerate the schedules, of their commitments which are spelt out in detail in their IAPs and CAPs for TILF. The Osaka Action Agenda has also been updated recently to take account of changes in the international trade policy environment and new issues raised by the rapid spread of new technologies.

Based on this sustained effort, APEC has made steady progress towards dismantling all obstacles to trade and investment. While meeting the 2010/2020 deadlines cannot be taken for granted, the progress made in terms of facilitating as well as liberalising trade and investment has already led to substantial economic benefits.

This success has been made possible by a carefully designed structure for translating the very broad commitments of APEC leaders to detailed programs of action based on agreed principles, followed up by continuous monitoring of implementation.

APEC's Committee on Trade and Investment (CTI) was given the clear responsibility for these tasks, reporting regularly to APEC Senior Officials (SOM). The CTI and SOM report regularly to Ministers, including an annual meeting of Ministers Responsible for Trade (MRT), which reports to APEC leaders. The CTI itself oversees the work of sub-committees. There is a clearly identified sub-committee responsible for promoting progress towards each of the TILF

activities identified in the Osaka Action Agenda, such as the harmonisation of customs procedures.

The policy decisions and resources needed to implement the Osaka Action Agenda are taken and/or provided by APEC governments that commit themselves, voluntarily, to the undertakings they set out in their Individual Action Plans and Collective Action Plans for TILF.

A similar mechanism, with clear assignment of responsibility for implementation and monitoring, is needed to translate other targets set by APEC leaders from visions to realities. The APEC process needs to create effective means of implementing Ecotech as well as TILF targets.

## **Strengthening Ecotech**

Some important steps have already been taken to strengthen APEC's capacity for promoting Ecotech.

The Ecotech Sub-Committee (ESC) of SOM, which has been meeting since 1998, has several useful achievements. There is now a detailed inventory of Ecotech activities which are being pursued by all of the working groups. That has already helped to begin to coordinate several hundred activities, to limit needless duplication among them and to promote their closer alignment to the priorities for Ecotech set in the 1996 *Manila Declaration on an Asia Pacific Economic Cooperation Framework for Strengthening Economic Cooperation and Development*.

More recently, largely due to the excellent leadership of the then Chair of the ESC, Dr Mehdi Krongkaew, the concept of Action Plans for Ecotech (EAPs) has been endorsed. In 2001, all APEC governments were asked to prepare EAPs which document their efforts to promote aspects of human resource development, which accounts for a large share of all Ecotech activities.

### **Action Plans for Ecotech**

EAPs are a potentially valuable innovation. They can demonstrate the scope and volume of activities which are taking place in terms of capacity-building. They do this by setting out the relevant activities of APEC governments in addition to the activities of APEC working groups themselves. That wider coverage will help to dispel a widespread belief that very little is happening to promote Ecotech. The EAPS will demonstrate that the resources devoted to capacity-building in the Asia Pacific region are far larger than the budgets of APEC working groups. EAPs can also provide the means of monitoring the efforts of individual governments to achieve Ecotech-related objectives. As in the case of TILF, they provide the means for peer pressure and review to enhance progress.

Following the trial with EAPs for human resource development, EAPs could also be drawn up for all other aspects of Ecotech. That would be a very large effort. Before embarking on that, it would be useful to assess the scope and coverage of Action Plans for Ecotech.

### **Coverage of Ecotech Action Plans**

There are at least two options for extending the coverage of Ecotech Action Plans. One of these is to include collective as well as individual activities. The first set of Action Plans for human resource development set out the relevant programs and commitments of individual governments. These could be described as E-IAPs.

Many activities for sharing information, experience, expertise and technology among Asia-Pacific economies involve more than one economy. In some cases, they are part of programs of bilateral and multilateral development agencies, agreed in consultation among pairs or

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groups of economies. Accordingly, the action plans of individual APEC governments can be supplemented by E-CAPs; action plans which describe the nature and objectives of their collective actions to promote Ecotech.

In this way, all of the activities of APEC governments designed to achieve all of the objectives endorsed by APEC leaders could eventually be set out in individual or collective action plans for either TILF or Ecotech.

A second option is to gather information on contributions to Ecotech by agencies other than governments. At their 2001 meeting, APEC leaders reaffirmed the importance of private sector involvement in promoting shared objectives and noted the potentially significant role of regional and multilateral development banks to help design and finance capacity-building in APEC economies. This suggests that Action Plans could also be drawn up to demonstrate the contribution of private enterprises and development agencies, working with APEC governments to promote the aims of APEC.

### **Monitoring Action Plans**

It will be essential to monitor EAPs; firstly, in order to help make them accessible and comparable; and, secondly, to provide a means of bringing peer pressure to bear to strengthen the individual and collective efforts of APEC governments and others.

In the case of TILF, the task of monitoring has been assigned to the CTI. It is likely that the ESC will be expected to fill this role for Action Plans for Ecotech. As for TILF, the ESC could then report, through the SOM, to APEC Ministers and leaders on progress in terms of enhancing these Action Plans and on their implementation.

The CTI relies on the work of its many sub-committees in its monitoring of IAPs and CAPs for TILF. Correspondingly, the ESC would need to be able to call on working groups, such as those for HRD, energy or telecommunications, to support its task of evaluation.

This would require reform of existing APEC mechanisms. As noted in the reports of the ESC itself, as well as independent evaluations of APEC by APIAN (the APEC International Assessment Network), the ESC does not have the resources or the authority to carry out its current mandate, let alone take on the task of monitoring EAPs.

That problem of adequate authority can be rectified, possibly as suggested below. But it will be very difficult to provide the ESC with sufficient resources to monitor and evaluate Action Plans for all aspects of Ecotech. This raises the need to set priorities in extending the coverage of EAPs.

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### **Priorities for EAPs**

There is plenty of scope for extending the coverage of both E-IAPs and E-CAPs, building on those prepared in 2001 for human resource development. Potentially, all of the activities registered in the existing databases for Ecotech could be covered in this format. At the same time, it would be important to ensure that they are useful as tools for managing and prioritising Ecotech activities, not just a very large collection of already available information presented in a new format.

The task of documenting all Ecotech-related capacity-building activities by Asia Pacific governments, whether conducted individually, collectively and/or in partnership with the private sector and international development agencies, is a potentially vast undertaking. Creating such a base of information would be useful, but tie up a lot of resources. It is, therefore, essential to set priorities. An effective way to do that would be to concentrate, at least initially, on developing Action Plans which are designed to promote progress towards those targets which are explicitly endorsed by APEC leaders.

As already emphasised, Action Plans for TILF are an explicit means of monitoring and accelerating progress towards the agreed Bogor goal. Correspondingly, the primary purpose of EAPs should be to set out what is being done to achieve Ecotech targets set by APEC leaders, starting with the 2000 commitment to region-wide access to ICT via the Internet.

### **'Bottom-up' or 'top-down'?**

At present, Ecotech activities are largely decentralised, or even 'atomised', driven by the interests of individual APEC governments and their representatives on working groups. The many activities thus generated can all be readily related to the six priority areas specified in the 1996 Manila Declaration. But that does not necessarily mean that these activities are clearly related to targets set specifically by APEC leaders.

While TILF activities are all linked to the Bogor targets of free and open trade and investment, there is no such evident linkage of Ecotech activities to the aims set by leaders. Accordingly, part of the reform of the structure of APEC groups and committees in Ecotech needs to achieve a better balance between 'bottom-up' initiatives, which are 'decentralised', and 'top-down' initiatives, those which are (or should be) 'concerted'. The APEC structure needs to be able to respond quickly, effectively and in a concerted manner to new initiatives of APEC leaders.

As already noted, new targets like the one set in Brunei Darussalam will require activities which involve several existing working groups, as well as Asia-Pacific governments, development agencies and the private sector. APEC needs to devise a means of coordinating and concerting their collective response.

## **PART II From targets to results**

At their 2000 summit in Brunei Darussalam, APEC leaders turned their attention to recent rapid developments in information technology, and the widening reach of the Internet. These advances have already led to significant increases in productivity, especially in those economies which already have the highest standards of living. Such gains are potentially available to all economies, but the great differences in access to information technology and to the Internet threaten to widen inequalities in the short term.

In response to these opportunities and risks, APEC leaders committed themselves to:

develop and implement a policy framework which will enable the people of urban, provincial and rural communities in every economy to have individual or community-based access to information and services offered via the Internet.

Such access was to be available to all by 2010, with a tripling of access between 2000 and 2005.

Having set such an explicit target APEC governments need to implement a strategy to achieve it. Purposeful pursuit of the 2010 target would serve to enhance support for the APEC process, showing that it can create significant new income-earning possibilities for those currently least well-off in the region. At the same time, a failure to do so would damage APEC's credibility. If this target is not taken seriously, it is unlikely that any strategies or targets endorsed under Mexico for activities to support microenterprises will be pursued.

It is now well into 2002. While some useful steps have been taken, APEC governments do not have a strategy for achieving the timetable they set for access to the Internet. Access is continuing to spread rapidly and access to ICT via the Internet may indeed treble between 2000 and 2005. But this does not guarantee that the 2010 targets will be achieved. There is no assurance that some areas, such as the more remote parts of all economies, including Papua New Guinea, Vietnam or Pacific Island economies, will have access to the Internet by the end of this decade.

Working in partnership with the private sector, APEC governments need to design a strategy to avoid a widening digital divide in the Asia Pacific. Two kinds of challenges need to be tackled.

One of these is to assign clear responsibility for developing a strategy, then for monitoring its implementation. The second is to design the strategy with a clear understanding of the role of APEC governments — to identify where collective activities can reinforce the influences which are already leading to a rapid spread of access to ICT.

This section makes some recommendations for reforming the structure of APEC to enhance its capacity to respond to new objectives endorsed by APEC leaders. These recommendations are followed by an effort to define the potential roles of APEC governments and the private sector in promoting region-wide access to the Internet.

### **A new responsibility for the Ecotech Sub-Committee (ESC)**

The ESC of SOM needs to be given the unambiguous responsibility, combined with the necessary authority, to respond to objectives set by APEC leaders. The CTI has this responsibility and authority for promoting the TILF target of free and open trade and investment by 2010/2020. The ESC needs to play a similar role for targets set in areas of Ecotech. The ESC will need to be able to respond to 'concerted' objectives set by APEC



leaders as well as to coordinate 'decentralised' activities of the APEC working groups involved in Ecotech.

As discussed in a recent review of the ESC, APEC leaders need to decide whether the sub-committee's mandate should be extended beyond a purely 'recommendary' body, or whether it should be given responsibility for management to ensure agreed Ecotech objectives are actually implemented.

The officials who comprise the ESC cannot be expected to have the sectoral expertise to design strategies and specific activities needed to implement new targets. Members of working groups are more likely to have such expertise. However, new targets need a response which is beyond the scope of any one working group and which should also involve the private sector.

As noted in the previous report<sup>4</sup> of The Foundation for Development Cooperation (FDC), a feasible way forward would be to define a high-priority project to respond to new APEC objectives. A high-profile project approach would have the following advantages:

- A high-level project, backed by the APEC leaders, will be able to focus on a well-defined strategic need of the region, rather than on piecemeal, specific issues.
- Focus on a single unifying theme for capacity-building is needed to generate a well-defined and timely effort, reducing the risk of slippage.
- Clear terms of reference for such a project will permit greater accuracy in the assessment of measurable project outputs.
- The project can be designed, from the beginning, to include business and the wider community, helping to ensure that outcomes are relevant to the APEC community as a whole.
- One well-conceived, strategic and concerted project at the level proposed will be more cost effective and have greater demonstration effects than myriad smaller, poorly integrated and decentralised projects (inside and beyond APEC).<sup>5</sup>

Such a project would need to be managed by a suitably high-level Task Force, which included private sector members, appointed by and responsible to APEC leaders. This Task Force would complement existing capacity-building activities within APEC, but have the mandate to generate responses from the working groups to tasks defined by the high-level project team.

The new mandate for the ESC should include the responsibility to help select suitable Task Forces for new objectives. The ESC would consult the private sector, members of relevant APEC working groups and APEC governments to identify a suitably experienced group to recommend to APEC leaders. Once a Task Force was appointed, the ESC would facilitate its work and its reports to APEC Ministers and leaders. To do so effectively, the ESC would need to be able to obtain adequate support from APEC working groups.

### **A new Ecotech Committee (ETCC)**

To perform this role, the ESC needs to be redefined as a full Committee of APEC. This would be an Ecotech Committee (ETCC), with broad authority to shape the work of APEC on matters other than TILF. The ETCC would facilitate the work of Task Forces set up to implement new APEC objectives, such as region-wide access to ICT, in addition to coordinating the general Ecotech activities of working groups such as HRD. The relationship of the new ETCC to existing structures will need to define carefully.

<sup>4</sup> Foundation for Development Cooperation. 2001. *Human Capacity-Building for the New Economy: review of the 2001 APEC High Level Meeting on Human Capacity-Building for the New Economy, and potential next steps*. Brisbane.

<sup>5</sup> Such a project-based approach, originally defined by Professor Nigel Haworth was recommended in The Foundation for Development Cooperation 2001 Report: *Human Capacity-Building For The New Economy*.

One option would be to emulate the TILF structure, where the CTI directs the work of all the specialist sub-committees working on specific TILF issues, such as customs harmonisation, steering their activities as part of an overall strategy to achieve free and open trade and investment. Under this option, working groups on Ecotech would report to SOM via the new ETCC.

Such a structure would give the ETCC the authority needed to ensure that Ecotech working groups responded promptly to new initiatives from APEC leaders. On the other hand, this approach would not only require substantial additional resources for the new committee, but would also encounter resistance from the Ecotech working groups. They are likely to oppose what they would see as an additional layer of bureaucracy which reduced their authority and access to SOM.

Given the widespread view that APEC's Ecotech effort needs to be coordinated more effectively, it should be possible to overcome such resistance. However, it would take a long time to agree on such a restructuring. The inevitable bureaucratic battles would distract attention from the urgent need to develop an APEC strategy to implement the ICT access commitment made in Brunei Darussalam as well as any new objectives that APEC leaders may set in Mexico.

A more practical option may be to create the ETCC with two well-defined responsibilities, without any abrupt change to the links between working groups and the SOM. The two tasks would be:

- to continue the current coordination role of the ESC
- to launch and facilitate the work of Task Forces set up to implement new commitments made by APEC leaders.

Such Task Forces should include people with well-recognised sectoral expertise. Typically, they would be led by a senior private sector person and should include people with practical experience in project design and finance, possibly including people from regional development banks. The Chairs of the most relevant APEC working groups could also be members of Task Forces.

The SOM would need to give clear instructions to working groups that a serious response to new initiatives by APEC leaders has priority over existing activities which are not closely related to these new objectives. The new ETCC would be responsible for ensuring that working groups give top priority to requests for inputs from the new target-oriented Task Forces.

This second option would require a less radical reform of APEC structures. But it would still need more resources. A practical approach might be to appoint additional staff in the APEC secretariat, to report to the new ETCC. The additional staff would carry on, and strengthen, the coordinating responsibilities inherited from the ECS. One aspect of this would be to continue a prioritised effort to develop EAPs for more Ecotech activities.

### **A Task Force for access to ICT**

An urgent challenge is to set up a Task Force which can define what APEC can do to accelerate the spread of access to the Internet — this could be called the ICT Access Task Force. Once the Task Force is established, the ETCC would facilitate its activities in cooperation with relevant working groups. Looking ahead, the ETCC should also prepare itself to help set up another Task Force to respond to a potential new APEC commitment to support microenterprises.

Adequate staff support for coordinating existing activities can allow the members of the ETCC to give adequate and urgent attention to facilitating the work of Task Forces set up to implement new commitments by APEC leaders. To sustain this effort, greater attention needs to be given to lines of reporting and monitoring.

### **Lines of reporting**

APEC ministers and leaders need to be kept adequately informed of progress to implement their commitments. It would, therefore, be desirable to ensure that the agendas of SOM and relevant ministerial-level meetings of APEC reflect the importance of implementing new commitments. Each meeting of SOM should review progress towards all commitments of APEC leaders, including the commitments to free and open trade and investment and region-wide access to the Internet, before considering more routine items.

Progress towards free and open trade and investment is regularly monitored by annual meetings of Ministers Responsible for Trade. This should be paralleled by annual ministerial-level monitoring of other commitments made by APEC leaders. Since the implementation of these commitments is likely to need inputs from several sectors, it may be appropriate to assign this task to the main formal ministerial-level meetings of APEC, which currently precede annual meetings of APEC leaders. The formal ministerial-level meetings of APEC are currently held immediately before the informal meetings of APEC economic leaders. Consideration could be given to holding these annual meetings further in advance of leaders' meetings. That would enable them to report more effectively to leaders, with recommendations to strengthen Action Plans for implementing commitments.

### **Region-wide access to information technology**

Progress towards realising the Brunei Darussalam vision of region-wide access to information technology would demonstrate the potential of Ecotech in a highly effective and visible manner. Region-wide IT access is a well-understood and achievable objective, which is comparable in significance with the Bogor vision of free and open trade and investment by 2010/2020.

As discussed above, the two targets are quite complementary: open trade, especially in services, will be essential for low-cost access to new information technology, while widespread access to the Internet will become an important force for getting rid of restrictions on international trade. Low-cost access to relevant information through the Internet will also be an important ingredient of any strategies to support microenterprises in the region and to the broader objective of human capacity-building for the new economy.

Cooperation among governments in the APEC process can facilitate and catalyse the innovation and investment which are needed for such human capacity-building in several ways; for example by:

1. articulating well-defined goals and needs; starting with providing region-wide access to ICT via the Internet
2. removing policy obstacles; for example to trade in services, particularly education services
3. ensuring competition in all telecommunications markets, domestic as well as international, to minimise the cost of access to information technology
4. sharing and disseminating 'best practice' measures for promoting access to and effective use of information and technology
5. indicating the scope for investments in necessary public goods by governments, and by international development agencies such as the World Bank, which are needed to complement private investment
6. monitoring and acknowledging the contributions of the private as well as the public sector towards human capacity-building for the new economy.

These challenges can only be met if the resources allocated to developing human capacity are regarded as an investment rather than a cost. Given the vast scale of the investment required, access to the new economy will need to be delivered essentially by the market.

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## Investment to reach all people<sup>6</sup>

Extending access to the new economy to all the people of the region is an investment which will yield commercial returns from the significant expansion in productivity and purchasing power it will create. Therefore, the private sector and development banks can be expected to finance such investments, if encouraged by governments that are willing to create the right policy environment.

Investments will be needed both to put the necessary capacity in place and to overcome constraints on the effective demand for Internet services, especially by the poorest in member economies. These constraints can arise from their limited literacy and/or limited technical awareness, and the inadequacy of the complementary infrastructure (such as rural electrification and telecommunications systems) needed to support conventional Internet access.

Overcoming these constraints will require innovative solutions to both hardware and software problems. Infrastructure and income constraints on demand may be addressed by introducing appropriate and low-cost technologies possibly including extensions of satellite-based communications facilities and hand-held communication devices. These hardware investments would need to be financed by the private sector, which would expect to recover its investment from potential users and from the new commercial opportunities resulting from wider networks for promoting business. Investments by civil society can also contribute to creation of community-based infrastructure.

The rapid expansion of the reach of the Internet indicates that a great deal of investment is taking place. For example, 'Internet cafes' are providing community-based access to more and more of the world; not only to cities and towns but also to some remarkably remote villages and hamlets, at least in the areas frequented by tourists. Many other innovative approaches that seek to engage the relatively most disadvantaged groups in each society are also being devised and tested.

As in the TILF drive towards free and open trade and investment, progress can be made, and is being made, without much input from Asia-Pacific governments. But that does not mean there is no role for concerted or collective action by APEC governments. For example, peer pressure from continuous monitoring of IAPs will become progressively more important to extend trade liberalisation to more sensitive sectors. And the channels of communications provided by APEC are proving effective in terms of promoting cooperative arrangements to facilitate trade and investment.

Correspondingly, access to ICT is already widening rapidly. It is quite possible that access to the Internet will treble between 2000 and 2005, without any tangible support from the APEC process. Nevertheless, the increasing spread of the Internet will not necessarily extend to all remote locations, especially those not frequented by tourists. Cooperation among APEC governments can help to supply the public goods needed to provide the incentive for the Internet to reach the most remote or most disadvantaged communities.

## Challenges for an APEC ICT Access Task Force

At the outset, it will be important to be aware of what is already being done to extend Internet access to such locations by governments, multilateral development agencies, non-governmental organisations (NGOs) as well as by commercial enterprises, including some of

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<sup>6</sup> Some of this section is drawn from the 2001 report of The Foundation for Development Cooperation, cited in footnote 3, above.

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the world's largest ICT companies. The next step is to ascertain what Asia-Pacific governments can do to facilitate, supplement or accelerate these efforts.

### **Gathering information**

It will take some time to select and appoint a suitable ICT Access Task Force. In the meantime the ESC, or its successor ETCC, could start to collect the relevant information. They could request APEC governments to prepare Action Plans (both individual and collective) that set out what they are doing to help remote or otherwise disadvantaged groups to access ICT via the Internet.<sup>7</sup> ICT enterprises, development agencies, NGOs and firms involved in the effort to extend the reach of the Internet could also be requested to provide information on their activities, preferably in a format consistent with Action Plans drawn up by governments.

The new ICT Access Task Force could then use the information gathered to define the task for APEC in order to meet its 2010 access target. Information on current activities could be used to identify successful examples of extending access to ICT as well as to learn from failures. The Task Force could also look for the regions and groups which are least likely to be reached by 2010, based on the trends to date. A further step would be to promote activities that draw on the experience to date and promote efforts to emulate success stories in the areas that are proving hardest to reach.

### **Learning from experience**

There is an ever-expanding volume of information, mostly available from the Internet itself, on a growing number of successful efforts to extend access to the Internet to remote, or otherwise disadvantaged, groups. Some common features of such programs to promote wider access and use of the Internet are:

- emphasis on community participation
- ensuring sufficient local content in the material available which is relevant to the day-to-day activities and needs of each community
- hands-on-help for first-time users of computers and software applications
- perhaps most importantly, self-financing.

These programs are typically set up with seed money (provided by firms and NGOs as well as by development agencies or governments). However, they are expected to become self-sufficient within a well-defined period.

Early experience with these community-based programs indicates that people quickly become aware of the possibilities, including cost-saving and income-generating opportunities, created by access to the world-wide-web. Once the value of access is recognised, then people are more likely to be willing to pay for it.

If users are willing to pay for access, then schemes to extend it to disadvantaged and remote groups can be commercially viable. That is essential. The only way to replicate the successful experiments reported at the high-level meeting to reach all, rather than just a few, poor or remote groups is, ultimately, to rely on market responses to commercially viable opportunities.

The positive externalities generated by wider access to the Internet justify initial capital subsidies and even subsidised access at the outset. However, it will be impossible to extend and sustain access region-wide unless users are ultimately willing to pay for ongoing services.

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<sup>7</sup> As discussed above, the preparation of Action Plans for promoting access to ICT should take priority over the general effort to develop EAPs for all aspect of Ecotech.

Experience to date also suggests that the costs of access to telecommunications networks are important. These costs are declining continuously with new technology. But governments can help reduce them further. Encouraging the widest possible competition is crucial, as are policies that allow connection and ongoing user charges to cover and reflect the true relative costs of capital and recurrent costs of providing services. Asia-Pacific governments can implement such policies individually. But cooperation among governments may be crucial in obtaining low-cost access to satellite-based communications, which is essential to reach remote locations.

### **Building on current efforts**

Based on the fast-accumulating experience in these areas, APEC's ICT Access Task Force should be able to identify specific things that governments, development agencies and NGOs can do to improve the prospects of remote groups having at least community-based access to the Internet at an affordable recurrent cost. Such a proposed program of action could then be reported to APEC ministers and leaders as well as to the private sector, including through the APEC Business Advisory Council (ABAC) and the Pacific Economic Co-operation Council (PECC).

The initial strategy to be drawn up by APEC's new ICT Access Task Force would not have to spell out all the steps needed to achieve the 2005 and 2010 targets endorsed by APEC leaders, for at least two reasons. Firstly, access to the Internet will continue to expand independently of APEC. Secondly, as noted by APEC leaders in 2000, it is impossible to predict what changes in technology will be available by the end of the decade.

It would be more realistic to assess where cooperative activities involving APEC governments, in partnership with others, could extend and accelerate an essentially market-driven trend towards wider access to ICT.

Once a strategy to complement ongoing efforts is endorsed by APEC leaders, then those who need to finance and implement specific activities should be requested to draw up Action Plans for doing so. The ICT Access Task Force, supported by the new ETCC could then monitor these Action Plans and revise them in the light of new information.

### **Policy and technology**

One fruitful area for cooperation among Asia-Pacific governments is to help ensure that the policy environment for telecommunications and trade in services evolves to keep pace with rapid technical change. Constant policy adjustments are needed to create and sustain a competitive environment, combined with incentives to extend improved access to high-speed communications. Cooperation among Asia-Pacific governments can help to disseminate experience about coping with change, making it more likely that governments can adopt best-practice approaches to policy.

### **Intermediation in communications markets**

Another option would be to help provide low-cost access to telecommunications to remote areas. Even in a highly competitive environment, it is difficult for small communities, let alone individuals, in a remote location to buy access to existing networks. The marginal cost of additional calls may be negligible, for example, because of spare capacity of satellite or other communications networks, but it is not easy for small users to access this capacity. Some market intervention may be needed to intermediate between demand for and supply of access to ICT via the Internet.

### **Pilot projects**

A third aspect of an APEC strategy to widen access to ICT could be to promote experiments, or pilot projects, in locations which are likely to be hardest to reach. Despite the efforts

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already being made to reach disadvantaged communities, there is certainly no assurance that remote communities, for example, in Papua New Guinea, will have access to the Internet by 2010. A potential pilot project is outlined below.

## **Pacific Island access to ICT**

It will be difficult to extend access to ICT via the Internet to all communities in the Pacific Islands. These islands are often tiny and remote, spread over large areas of ocean. Even in larger islands, such as the mainland of Papua New Guinea, rugged terrain makes any kind of communication difficult to sustain. APEC leaders should either confirm that even these communities are covered by their Brunei Darussalam vision of region-wide access to modern ICT by 2010, or they should qualify their target.<sup>8</sup>

International cooperation will certainly be necessary to reach communities of tiny Pacific Island nations, where some intermediation will be needed between scattered potential users of ICT and possible sources of supply. Much could be learned from efforts to reach some very remote communities at affordable cost. APEC networks could help gather and disseminate relevant information, experience, expertise and technology.

A practical starting point would be to encourage development agencies to work with private suppliers of communication networks and software relevant to the needs of remote communities, in order to launch one or more pilot projects. Several Asia Pacific economies have very remote regions. All of these will need to be reached to attain the 2010 targets agreed in Brunei Darussalam. One option would be to consider a pilot project in the Pacific Island region, possibly in Papua New Guinea. If communities on small islands and in isolated highland villages in Papua New Guinea could be reached successfully, then the 2010 targets would be seen as attainable.

Reaching remote communities would need to take into account several factors which influence the potential demand and supply of access to ICT.

On the 'supply side' there would be substantial capital costs per head to establish connections to existing telecommunications networks. On the other hand, the marginal costs for subsequent access to such networks would likely be negligible.

On the demand side, the pilot project could draw on a growing range of software being developed elsewhere. These are designed to provide material relevant to the needs of remote communities, in ways that can be accessed by people with relatively low levels of formal education or literacy. Software certainly exists to enhance the capacity to supply health and education services to remote communities. Access to e-mail and remote banking facilities can boost savings and widen the range for investing such savings. These services could also be linked readily to entertainment networks to help generate early interest in using new access to ICT.

Against this background, pilot projects for such remote communities would need to find a way of subsidising the initial capital costs for connection. In the initial phase of access, user charges would need to be very low. The urgent priority would be to encourage the use of new access, while users learn to recognise the value of the new information and new opportunities for communication that become available.

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<sup>8</sup> APEC governments will also need to counter frequent criticism that access to ICT is not the greatest need or most urgent need of remote communities. It is beyond the scope of this paper to rank the needs of such communities. However, there is growing evidence that other essential services, such as disease prevention, medical services and education can be delivered more effectively to remote locations which have access to good telecommunications

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As discussed above, it might be possible to provide access at low marginal cost. For example, it might be possible for an existing organisation, possibly a local telecommunications service provider, to purchase 'bulk' access from a satellite network, then 'retail' it to small remote users.

After a subsidised initial phase, cost recovery would need to be considered. This is essential if the pilot projects are to be replicable to cover all communities, not just a lucky few. Therefore, after a brief initial period, the recurrent costs of access to the telecommunications networks would need to be increased to cover the costs of maintenance and then to recoup at least some proportion of capital costs. The test of success for such pilot projects will be to observe whether the demand for access to the network can be sustained at prices that are adequate for these purposes.

While other locations can be considered, it may prove possible to make a start in Papua New Guinea. The Papua New Guinea government has designed and legislated for a Community Service Trust (CST), which could facilitate the conduct of such pilot tests. Papua New Guinea's CST is designed to widen access to rural infrastructure, including telecommunications. Communities that can provide access to the land needed and a share of the capital costs will receive a matching contribution from the Government. These contributions can then serve to lower capital costs for potential private sector suppliers of access to infrastructure; it would also be possible for suppliers to sustain the service at relatively low ongoing user charges.

At the same time, the Government of Papua New Guinea is privatising its telecommunications agency and has reformed its regulatory legislation to maximise the potential for competition over time.

In such a policy environment, APEC governments could facilitate pilot projects in PNG within the framework of the CST, which is just being established. The prospects for using this framework to extend access to ICT via the Internet could be greatly enhanced by providing access to software that has proved attractive to other remote communities and adapting it to local conditions.

APEC governments, their development agencies and/or the private sector could also provide 'seed money' for the share of the capital costs which needs to be met by the community. If such pilot projects prove successful, the need for 'seed money' should decline. Once the value of access to ICT is demonstrated, communities are increasingly likely to mobilise savings to help establish new connections.

Informal discussions with PNG officials indicate a willingness to facilitate pilot projects for widening access to ICT via the Internet. An opportunity exists for APEC governments and others to initiate such pilot projects.



## **ANNEX: Defining Ecotech and capacity-building**

### **What is Ecotech?**

The role of Ecotech and capacity-building are well accepted within the APEC process. On the other hand, considerable confusion remains between the two concepts. That confusion is making it difficult to develop effective means of managing the activities of APEC's many working groups.

A recent report to the SOM on the role of the Economic Sub-Committee of SOM — the ESC — has sought to deal with this problem and its recommendations have been endorsed by SOM.<sup>9</sup>

The recent review emphasises that it is difficult to separate the various strands of the APEC process; it is not easy to draw a distinction between what is perceived as Ecotech, as against TILF. Many capacity-building activities are being pursued by the Committee on Trade and Investment (CTI) which is responsible for delivering APEC's TILF objective of free and open trade and investment by 2010/2020. Indeed, the 2001 report of the ESC points out that, of some 150 projects contributing to the Manila themes, very nearly half were funded from the TILF account, with the rest funded from the Operational Account.

The review also recommended that all of the capacity-building activities of APEC should be defined as Ecotech and that the ESC have the mandate to advise the SOM on how to coordinate all of these activities.

This recommendation is welcome in one important sense. It recognises the pervasive importance of capacity-building to pursuing all parts of the APEC agenda. On the other hand, it is not sufficient to establish clear lines of responsibility for APEC activities in various fields. This annex proposes an alternative approach which:

- distinguishes clearly between means and ends
- avoids overlapping lines of responsibility and reporting.

### **Means and ends**

APEC leaders have endorsed several objectives for APEC. These include:

1. free and open trade and investment by 2010/2020
2. enhanced capacity to implement WTO undertakings
3. enhanced capacity for financial sector management
4. community-based access to ICT via the Internet by 2010.

This is not an exhaustive list. It is merely intended to show that APEC does have objectives, or 'ends', which extend beyond trade and investment matters.

The first two objectives are clearly in the area of TILF and the CTI has the responsibility and authority to find 'means' to meet these 'ends'. The 'means' for enhancing the capacity to implement WTO undertakings is essentially capacity-building. It is becoming increasingly evident that trade facilitation also relies on capacity-building: the effective constraint on implementing good ideas for facilitation is not resistance from governments, but inadequate capacity to put these ideas into effect. Liberalisation also relies on capacity-building. At present, most APEC governments do not have the capacity to persuade themselves, or their

<sup>9</sup> The ESC is in the process of reviewing its own role, based on a comprehensive review paper prepared by New Zealand with inputs from others. See the Summary and Conclusions of SOM I for 2002, Mexico City, February 27-28.

constituencies, to remove barriers against the imports which challenge so-called 'sensitive sectors'. The IAP process and the peer reviews are a means of strengthening the capacity for making these currently unpalatable decisions.

The third objective on the above list is, once again, a capacity-building exercise. These capacity-building efforts are managed by the Finance Ministers Process, with a well-defined group of officials responsible for implementation and reporting.

The fourth item, region-wide access to ICT, is an objective that needs action in many areas, including human capacity-building and reforms of telecommunications policies, including international trade in IT services. As in the case of the Bogor goals, implementing this objective set by APEC leaders requires a mix of capacity-building and encouragement for making some relevant policy decisions. In this case, the work required extends beyond the mandate of any APEC working group. Moreover, no part of the APEC process is responsible for finding the 'means' to implement this particular aim of economic cooperation.

### **Ecotech and capacity-building; means or ends?**

It can be seen capacity-building is a means for achieving each of the listed 'ends'. Such capacity-building consists of sharing information, experience, expertise and technology to develop new skills and/or enhance the capacity and willingness to make appropriate policy decisions.

The current practice in APEC is to say that all of these activities are Ecotech. That approach helps to enhance the recognition of the importance of Ecotech, but does not clarify who is to manage it.

In principle, the ESC has the right to advise the SOM on managing capacity-building activities managed by any of the working groups. However, the ESC has no well-defined means of influencing the allocation of priorities or resources devoted to these activities. The funding of capacity-building exercises related to TILF from the TILF account is determined by the CTI. Funding of other capacity-building from APEC's Operational Account is decided by the Budget Management Committee (BMC). The ESC neither reports to, nor has authority over, decisions of these committees. Under these circumstances, effective coordination is unlikely to occur.

One approach would be to give the ESC a mandate to steer the priority-setting procedures of the CTI and the BMC. But this is hardly practical. Such oversight is the 'core business' of the SOM itself.

It would be more practical to ensure a clear line of responsibility for steering and funding all aspects of capacity-building, without duplication or confusion of lines of authority.

In that context, it would be simpler to clarify that capacity-building is one means of delivering all of APEC objectives, then to classify these objectives, or 'ends' to make it clear who is responsible for the 'means' for achieving these 'ends'.

A practical option for classification is:

1. TILF related objectives
2. financial sector related objectives
3. other objectives.

The CTI is clearly responsible for meeting the first set of objectives, while the Finance Ministers Process is responsible for the second.

But no-one is currently responsible for meeting objectives outside these two clearly defined sectors. For example, the target of region-wide access to the Internet needs a response from several APEC working groups, but no-one is responsible for designing and implementing the 'means' for achieving this explicit objective set by APEC leaders.

A practical solution would be to set up a new committee which would be responsible for the 'other objectives', with authority and responsibility comparable to those of the CTI for TILF objectives.

Where does Ecotech fit into this? This issue can be resolved readily by defining Ecotech to cover those objectives, or 'ends', which are in the third category in the above list.

Ecotech would then be a well-defined subset of the objectives, or 'ends' of APEC. Capacity-building is the main means of delivering all APEC's objectives, including TILF and financial sector objectives.

Such a classification and distinction of ends and means can clear the way for setting up a committee, comparable to the CTI, responsible for implementing an Ecotech subset of objectives set by APEC leaders. The logical name for that committee would be the Economic and Technical Cooperation Committee (ETCC),

Like the CTI, the ETCC would be a committee of officials reporting to the SOM, with some clearly defined roles and management responsibilities assigned to it by the SOM. The potential mandate of a new ETCC, which would evolve from the current ESC of the SOM is described in the body of this paper.