

## THE ACMECS FINANCING MECHANISM

### Background

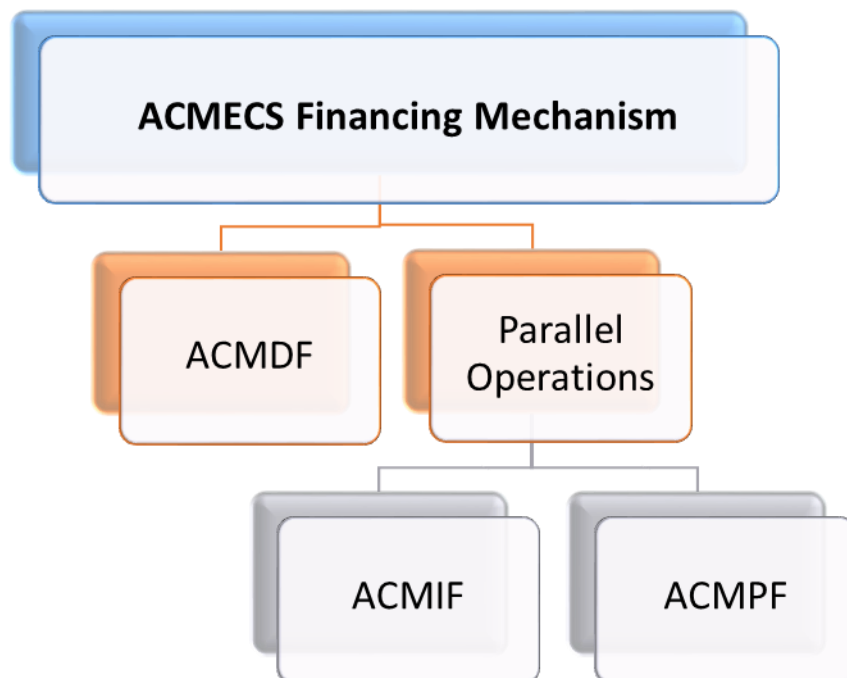
The ACMECS Master Plan (2019-2023) and the Bangkok Declaration were adopted by ACMECS Leaders at the 8<sup>th</sup> ACMECS Summit in Bangkok on 16 June 2018. These two outcome documents reflect the commitment of the ACMECS member countries to establish the ACMECS Fund on voluntary basis as proposed by Thailand. It is to become an innovative financing mechanism to address the connectivity initiatives as laid down in the ACMECS Master Plan, particularly for funding of infrastructure development and capacity building projects identified by ACMECS Member Countries.

Thus, the ACMECS Leaders agreed to task senior financial officers to discuss the Terms of Reference (TOR) as well as the detailed operation of the ACMECS Fund including to explore possible ways and means to establish this fund preferably by the next Summit. In this connection, the active engagement of ACMECS member countries, potential development partners, regional and international organizations, international financial institutions, and the private sector is highly important in the setting up of the ACMECS Financing Mechanism.

### Structure of the ACMECS Financing Mechanism

The ACMEC Financing Mechanism is created to provide financial support suitable to the different stages of the bankability of ACMECS infrastructure projects and to provide opportunities for development partners to participate in the ACMECS project financing activities. The ACMECS Financing Mechanism shall comprise of 3 main components;

- (1) the **ACMECS Development Fund (ACMDF)**;
- (2) the **ACMECS Infrastructure Financing Facility (ACMIF)**; and
- (3) the **ACMECS Project-based Financing Facility (ACMPF)**.



## **TERMS OF REFERENCE OF THE ACMECS DEVELOPMENT FUND**

### **Objectives**

The objective of the ACMECS Development Fund (ACMDF) is to strengthen the solidarity, centrality and self-reliance of ACMECS member countries. It serves as ACMECS's common pool of financial resources to support the implementation of the ACMECS Master Plan (2019-2023) and its succession plans.

The ACMDF shall be used for the following purposes:

- i. provide technical support for ACMECS projects, such as advisory services, consulting services, project's feasibility studies, social and environmental impact assessment for all Pillars of the ACMECS Master Plan (2019-2023) ;
- ii. provide financial support for development of projects under the ACMECS Master Plan (2019-2023), particularly those under Pillar One of the ACMECS Master Plan. Once the financed project is showing signal to become bankable project, the ACMDF would consider exit strategy so that the reflow of fund can be used to finance other projects;
- iii. other purposes as deemed appropriate.

### **Fund Size and Sources of the ACMDF**

The ACMDF shall be initially established with an aim to achieve five hundred million US dollars (US\$ 500 million). Funding sources for the ACMDF are from contributions from ACMECS Member Countries and Development Partners. The compositions of the expected funding sources are as follows:

- 1) Contribution from Member Countries;
  - (a) Thailand's contribution of two hundred million US dollars (US\$ 200 million);
  - (b) Contribution from other ACMECS Member Countries on a voluntary basis;
- 2) Contribution from ACMECS Development Partners on a voluntary basis;
- 3) Fund raised from money and capital markets;
- 4) Other means as deemed appropriate.

### **Governance Structure of the ACMDF**

1. The ACMDF shall be governed by the ACMDF Executive Board comprising Senior Finance Officials of ACMECS Member Countries and representatives of ACMECS Development Partners. The total number of ACMDF Executive Board shall be 9 members with the following composition:

- i. One Senior Finance Official (ACMECS-SFOM) from each ACMECS Member Country;
- ii. No more than four representatives from the ACMECS Development Partners (DP) which contributed to the ACMDF (limited to one from each DP, total DP's representative not exceeding 4 seats).

2. Voting Power

- i. Each ACMECS Member Country will be equally allocated a certain number of basic votes plus proportional votes based on the amount of contributions to the ACMDF;

- ii. For ACMECS DPs who are the founding members of ACMDF<sup>1</sup>, each founding DP will be allocated a certain number of basic votes plus proportional votes based on the amount of contributions to the ACMDF;
- iii. For ACMECS DPs who join the ACMDF after the inaugural of the ACMDF, their votes are based on the amount of contributions to the ACMDF.

*\*Note: Total allocated basic votes shall not exceed 20 percent of total votes.*

3. The ACMDF Executive Board shall be the ultimate decision-making body of the ACMDF. The ACMDF Executive Board's authority shall include;

- i. Consider and approve the selection criteria for projects to receive funding from ACMDF;
- ii. Determine the amount of funding of each approved project under (i);
- iii. Appoint the Agency responsible for the management of the ACMDF;
- iv. Set up policies on the management and use of the Fund as well as other operational policies.

4. The ACMDF Executive Board shall endeavour to decide on fundamental issues relate to (i) entry of new DPs; (ii) changes in the size of the ACMDF; (iii) determination of domicile of the ACMDF; (iv) dissolution of the ACMDF, on consensus basis.

5. The ACMDF Executive Board shall provide recommendations to ACMECS Ministers on fundamental issues relate to (i) entry of new DPs; (ii) changes in the size of the ACMDF; (iii) determination of domicile of the ACMDF; (iv) dissolution of the ACMDF.

6. The ACMDF Executive Board shall report to and be advised by; ACMECS Ministers, and/or ACMECS Leaders if necessary.

### **Custody and Management of the ACMDF**

The ACMDF shall be managed by an agency appointed by the ACMDF Executive Board. The tasks for the ACMDF Management Agency include the followings:

- i. Custody of the ACMDF;
- ii. Financial management, investment, and disbursement of the ACMDF;
- iii. Accounting and auditing of the ACMDF;
- iv. Provide regular report on financial status of the ACMDF and progress of ACMDF projects under implementation to the ACMDF Executive Board;
- v. Monitor the progress of the projects under ACMDF;
- vi. Other tasks as ACMDF Executive Board deems appropriate.

Fund Management Agency of the ACMDF shall be entitled to appropriate service charges and management fees.

### **Settlement currency of the ACMDF**

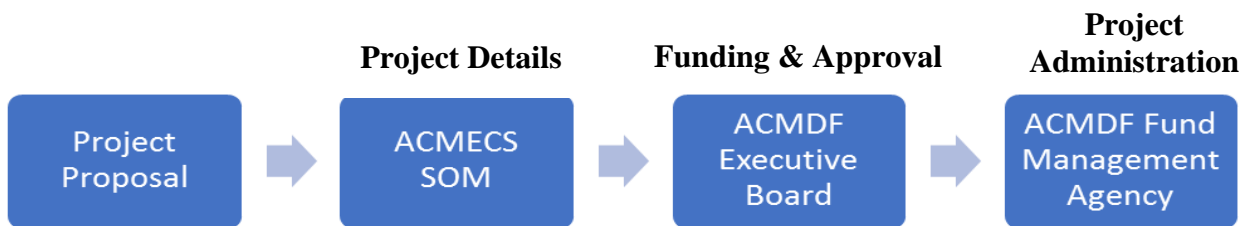
Settlement currency for the ACMDF shall be in US dollars or local currencies of ACMECS member countries.

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<sup>1</sup> Founding members are ACMECS members and ACMECS DPs who are signatories of the Agreement to establish the ACMDF.

**Approval of Projects seeking the ACMDF Support**

- i. Projects seeking ACMDF support shall be proposed by ACMECS Member Countries and submitted to the ACMECS Senior Officials (ACMECS-SOM)\*, consisting of representatives from the Ministry of Foreign Affairs of each ACMECS member country for consideration. Principal objectives of the projects should be aligned with the three pillars of the ACMECS Master Plan namely, *Seamless Connectivity*, *Synchronized ACMECS*, and *Smart and Sustainable ACMECS*. The project proposal must indicate clear objective(s), project details, budgetary requirements, financial plan and funding requests from the ACMDF.
  
- ii. Once the projects have undergone the ACMECS-SOM's consideration, the ACMDF Executive Board shall consider the terms and conditions for eligible project proposals with recommendations from the appointed Fund Management Agency. Each approved project proposal requires over fifty percent of the total voting power.
  
- iii. ACMDF Fund Management Agency shall administer the funding support to the approved projects in accordance with the approved terms and conditions. The Fund Management Agency shall monitor the progress of implementation and provide report to the ACMDF Executive Board.



\* For greater certainty, the ACMECS-SOM may appoint a Working Group/Task Force to consider and prioritise the projects seeking funding from ACMDF