



Asia-Pacific  
Economic Cooperation

# Annual Report 2023

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APEC Policy Support Unit

June 2024



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The views expressed in this report are those of the authors and do not necessarily represent those of APEC Member Economies.

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**Asia-Pacific  
Economic Cooperation  
Secretariat**

APEC Senior Officials

Dear Senior Officials

On behalf of the APEC Policy Support Unit (PSU) and in accordance with clauses 54 and 55 of the APEC PSU Governance Arrangements, I am pleased to enclose the APEC PSU Annual Report 2023.

A handwritten signature in black ink, appearing to read 'C. Kuriyama'.

Carlos Kuriyama  
Director  
APEC Policy Support Unit

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## PROJECTS AND ACTIVITIES

### OVERVIEW OF PROJECTS AND ACTIVITIES

The year 2023 marked a new chapter for the PSU, as Mr Carlos Kuriyama assumed the role of PSU Director. Guided by strategic goals and priorities, which received support from the PSU Board, he steered the unit towards a renewed focus as the policy analysis and research arm for APEC.

Central to the PSU is the delivery of high-quality policy analysis and recommendations. This involves providing useful, evidence-based research to APEC stakeholders to improve the quality of deliberations and facilitate the decision-making process (strategic goal #2). Complementing this are several other strategic goals: improving communications within the PSU and with other units at the APEC Secretariat and APEC stakeholders (strategic goal #1); anticipating and reducing operational risks to ensure business continuity (strategic goal #3); and raising the profile of the PSU as the policy analysis and research arm of APEC (strategic goal #4).

In pursuit of strategic goal 2, the PSU has embraced a new approach to projects, emphasizing project quality and ensuring adequate resource allocation for each project in the pipeline. Additionally, efforts have been directed towards producing concise pieces with clear executive summaries, concentrating on policy recommendations, and integrating more visuals into the work.

Assessment-related work featured strongly among the projects completed by the PSU in 2023. These projects comprised:

- Supporting the APEC committees – CTI, EC, and SCE – in evaluating the progress of the Aotearoa Plan of Action (APA), a plan for implementing the APEC Putrajaya Vision 2040. This marked the first evaluation since the APEC Leaders proclaimed the Putrajaya Vision in 2020 and endorsed the APA in 2021.
- Conducting assessments on the implementation of various key APEC initiatives. These included a mid-term review of the Enhanced APEC Agenda for Structural Reform (EAASR), a biennial update of the APEC Women and the Economy Dashboard, and a review of the APEC Investment Facilitation Action Plan.
- Proposing indicators and policy practices to measure progress in the APEC Supply Chain Connectivity Framework Action Plan, Phase III.
- Monitoring the recovery of certain services sectors, particularly those that experienced significant declines during the pandemic, under the APEC Services Competitiveness Roadmap.

Besides the abovementioned, the PSU undertook a study on non-tariff measures affecting trade in goods that reduce greenhouse gas emissions, as well as looked at policy interventions that can contribute to realizing low-emission transport systems. Furthermore, the PSU continued to manage the production of the APEC Economic Policy Report, a flagship annual report of EC.

Demonstrating its commitment to integrate more visuals into its work and presenting information in a more accessible manner, the PSU revamped its serial publication, APEC Regional Trends Analysis. APEC in Charts continues to maintain its user-friendly approach, placing a continued emphasis on the use of charts. The PSU also commenced work to revamp APEC's statistics portal, StatsAPEC, to make it more accessible and engaging.

To gather feedback from APEC stakeholders on its work, the PSU conducts an annual self-assessment. The survey conducted in 2023, focusing on projects completed in 2022, revealed that the 11 APEC groups, including Senior Officials, were very satisfied overall with the PSU's projects in 2022, finding them of good quality and useful. The survey responses also indicated that the APEC groups have used the research and policy work produced by the PSU to support discussions and decisions within APEC, among other purposes.

The PSU's policy research and analysis permeate both the working and policy levels of the APEC process. Notably, the mid-term review on EAASR conducted by the PSU for EC served as key resource in the 'Outcomes and Recommendations of the EAASR Mid-Term Review', both of which were

welcomed by APEC Ministers. The PSU also worked with fora, specifically GOS and PPWE, on projects related to services and women—topics consistently emphasized by both APEC Leaders and Ministers.

In addition to strategic goal #2, efforts were also directed towards the other goals. Since the beginning of the year, concerted efforts have been made to enhance communication with APEC stakeholders. The PSU has actively shared draft reports with Senior Officials, extending beyond the practice of sharing with specific committees or fora (strategic goal #1). Additionally, it has been possible to keep financial prudence and hire new staff to fill vacant positions, contributing to the overall strength and stability of the unit. Steps were taken to alleviate administrative bottlenecks by implementing backup measures (strategic goal #3).

Dissemination of the PSU's work plays a key role in raising its profile (strategic goal 4). The PSU partnered closely with the Communications and Public Affairs Unit to produce various communications materials, including news releases, articles, and blogs. This collaboration also extended to media activities such as news conference and interviews. Furthermore, the PSU actively participated in numerous APEC and non-APEC meetings and events, both in person and virtually. Regarding speaking engagements, a rough count indicates that the PSU spoke in 30 meetings within APEC, spanning from the working group level to the ministerial level, and contributed to 40 events within and outside APEC. A list of these engagements can be found in the two half-year evaluation reports, circulated to the PSU Board, corresponding to January–June 2023 (document 2023/SOM3/PSU/BM44/009) and July–December 2023 (document 2024/SOM1/PSU/BM45/005).

The PSU's connections extended beyond APEC committees and fora. It maintained relationships with the APEC Study Centres Consortium (ASCC), participating in events organized by the APEC Study Centres in China; the Philippines; and Singapore, including the annual ASCC conference in the United States. With the private sector, the PSU took part in plenary and working group meetings of the APEC Business Advisory Council (ABAC). The PSU also attended events organized by ABAC members and other firms outside ABAC. In addition, the PSU engaged with the youth by participating in events organized by schools in China; Peru; and Singapore, and continued to mentor students through internships.

In its efforts to establish connections with external parties, the PSU entered into a new sponsorship agreement with the Hinrich Foundation and started exploring a possible partnership with the Asian Development Bank to conduct a policy brief. Moreover, the PSU explored the possibility of joining the Asian Regional Roundtable, which involves five international organizations.

In 2024, the PSU will mark its 16<sup>th</sup> year of operation. The PSU expresses deep gratitude for the unwavering support received from APEC member economies, particularly from the members of the PSU Board. They have provided crucial financial and in-kind support and dedicated time and effort to address human resources and financial sustainability issues at the PSU. The support from the PSU Board has played an instrumental role in guiding the PSU through these years, and their continued commitment will enable the PSU to maintain its trajectory and contribute to the achievement of APEC Putrajaya Vision 2040.

Operating under the theme of APEC 2024, 'Empower. Include. Grow,' the PSU will endeavour to undertake work that align with the three priorities for APEC 2024: (1) trade and investment for inclusive and interconnected growth, (2) innovation and digitalization to promote transition to the formal and global economy, and (3) sustainable growth for resilient development.

## COMPLETED PROJECTS IN 2023

### For Committee on Trade and Investment (CTI)

#### **A. Study on Non-Tariff Measures Affecting Trade in Goods Reducing Greenhouse Gas (GHG) Emissions**

Supporting the CTI, the PSU conducted a study to identify non-tariff measures (NTMs) affecting trade in products that reduce GHG emissions, contributing to APEC's efforts to address climate change. The study entailed mapping NTMs by analyzing trade databases with information on NTMs and collecting firm-level perspectives through surveys and interviews to assess the nature and scale of the effects of NTMs in trade in goods reducing GHG emissions.

The study found that APEC economies have taken steps to facilitate trade in these GHG-reducing goods, but more work needs to be done. Among the NTMs, export and import formalities, as well as quantity restrictions, were identified as the most widely recognized barriers to trade in these goods. Firms also noted that while the costs imposed by NTMs are burdensome, these are less influential on their trade volumes compared to domestic policies. Across all these findings, firm-level experiences varied, underscoring the importance of considering firms' perspectives when designing effective multilateral trade policy. This report provided policy recommendations aimed at further facilitating trade in GHG-reducing goods.

The report was presented to CTI and APEC Business Advisory Council (ABAC). The findings were presented at an event on leveraging trade in environmental goods and services to tackle climate change, at the invitation of the WTO. APEC Ministers, during their meeting in November 2023, also recognized the important role that APEC has in advancing work on the facilitation of trade in environmental goods and services.

*The Aotearoa Plan of Action is a key document for implementing the APEC Putrajaya Vision 2040. This project contributes to the economic driver of Trade and Investment with the following objective: 'To ensure that the Asia-Pacific remains the world's most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment'; and the economic driver of Strong, Balanced, Secure, Sustainable and Inclusive Growth with the following objective: 'We will promote economic policies, cooperation and growth, which will support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet'.*

#### **B. Measuring Progress on the Supply Chain Connectivity Framework Action Plan (SCFAP III) 2022–2026: Indicators and Policy Practices**

APEC Ministers endorsed Phase Three of the Supply Chain Connectivity Framework Action Plan (SCFAP III) in 2022. During their recent meeting in 2023, they committed to continuing efforts to address chokepoints identified in SCFAP III.

Tasked by CTI, the PSU prepared this report, which identified 69 indicators for measuring progress in addressing the five chokepoints under SCFAP III, along with recommended policy practices that can contribute to resolving these chokepoints. The identified indicators are indicative and based on secondary data, not exclusively designed for SCFAP III. However, they still offer valuable insights for reviewing the progress of SCFAP III. Benchmark groups were also proposed to measure progress, instead of setting fixed targets. As for the policy practices, relevant best practices for the five chokepoints were identified through desktop research focused on relevant APEC work and consultation with the relevant APEC fora. The indicators and policy practices will be utilized in formulating the mid-term and final assessments of SCFAP III in 2024 and 2027, respectively.

The report was presented to CTI. The findings were also presented to the Sub-Committee on Customs Procedures (SCCP) and APEC Alliance for Supply Chain Connectivity (A2C2).

*This project contributes to the economic driver of Trade and Investment with the following objective: 'We will promote seamless connectivity, resilient supply chains and responsible business conduct'.*

### **C. Monitoring Pandemic Recovery under the APEC Services Competitiveness Roadmap (ASCR)**

Group on Services (GOS). The PSU was tasked to support GOS in preparing an annual report on the growth and developments related to trade barriers in the travel, transport (including logistics-related services), and 'other business services' sectors, which experienced significant declines during the pandemic. The first report was for 2023, and the last report will be produced in 2025 on the conclusion of the ASCR.

The 2023 report revealed that APEC commercial services trade in 2022 had recovered from the low of 2020 but was still lower than the projected value had there been no pandemic. The level of recovery varied by economies and sector of interest, with recovery reported in trade in transport and other business services but not in travel.

Recognizing that policies affect services trade, the report examined two WTO compilations: one on COVID-19 measures affecting services trade and another for the Trade Policy Review Body, reflecting measures taken by APEC economies since the onset of the pandemic. The report utilized the APEC Index to determine restrictiveness in 14 sub-sectors: 10 in transport (including logistics-related services) and four in other business services. To emphasize sub-sectors with increased restrictiveness since the pandemic, these 14 sub-sectors were grouped based on the average 2022 APEC Index score. The importance of redoubling efforts to improve the quality of services data and statistics was also emphasized.

The report was presented to GOS and at the ASCR Annual Dialogue. The ASCR remains high on APEC's agenda with APEC Economic Leaders reiterating their commitment to accelerate work in response to the ASCR Mid-Term Review, with the aim to fully implement the ASCR by 2025, at their recent meeting in November 2023. The PSU had conducted the mid-term review in 2021.

*This project contributes to the economic driver of Trade and Investment with the following objective: 'To ensure that the Asia-Pacific remains the world's most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment'.*

### **D. Review of the APEC Investment Facilitation Action Plan (IFAP): Forging a Stronger Recovery**

Investment Experts' Group (IEG). Since IFAP's inception in 2009, the PSU has conducted four reviews for IEG, including the latest one in 2023. Previous reviews took place in 2013–2014, 2017 and 2019. The current review assessed the progress of IFAP implementation by examining actions taken under the eight IFAP principles since the last review in 2019, as reported by IEG members and the implementing economies.

Economies' submissions regarding their actions and measures related to IFAP highlighted several concerted efforts. These included strengthened efforts on joining and adopting various Free Trade Agreements (FTAs) and Bilateral Investment Treaties (BITs) to facilitate FDI; increased focus on the adoption of responsible business conduct (RBC), inclusive and responsible business and investment (IRBI) and environmental, social and governance (ESG) concepts into the APEC economies' agenda; embracing the use of a single window of investment as a tool among APEC economies; and leveraging digital technology to improve the



accessibility and transparency of investment policies for investors, in addition to expediting and simplifying the investment process.

Drawing insights from these submissions, the review distilled lessons learned and put forth policy recommendations aimed at strengthening the implementation of IFAP. In addition to assessing IFAP's progress, the review included an analysis of the broader investment outlook in the region, with particular attention to developments following the COVID-19 pandemic. It also featured discussions on investment issues in the digital economy and sustainable development. These discussions provided background information regarding the investment issues faced by APEC economies, including recent developments in investment facilitation measures.

The report was presented to IEG.

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#### For Economic Committee (EC)

#### **E. Enhanced APEC Agenda for Structural Reform (EAASR): 2023 Mid-Term Review**

Supporting the EC to fulfil the mandate by Structural Reform Ministers, the PSU conducted a mid-term review on the implementation of EAASR. A two-pronged process was employed in conducting the review: (1) at the APEC-wide level, through a set of endorsed external indicators and the EAASR Implementation Plan, including a survey to gather members' perceptions on EAASR implementation; and (2) at the individual economy level, using the individual action plans (IAPs) submitted by members.

The review of APEC-wide progress using external indicators showed mixed results. Where it was possible to assess APEC's progress over time, some indicators showed the region making progress, while others showed backsliding or, at best, stagnating performance. APEC's performance in comparison to other regions was similarly mixed. The analysis of the EAASR Implementation Plan showed APEC undertaking 37 initiatives collectively, which also contributed to collective actions under the Aotearoa Plan of Action. The review of progress at the individual economy level saw submissions by 20 economies providing updates on 136 key initiatives. The IAP updates showed members making good progress on many key initiatives while challenges in advancing other initiatives were noted.

Besides providing updates to EC and Competition Policy and Law Group (CPLG), the PSU presented initial findings at the ASCR Annual Dialogue convened by GOS. The mid-term review report was presented during the EAASR Mid-Term Review Meeting convened by EC. Significantly, the report served as a key resource in the preparation of the 'Outcomes and Recommendations of the EAASR Mid-Term Review', which was endorsed by EC and Senior Officials. Both the Outcomes and Recommendations and the EAASR Mid-Term Review Report were welcomed by APEC Ministers, who also committed to continue implementing the EAASR and encouraged economies to implement IAPs.

*This project contributes to the economic driver of Innovation and Digitalisation with the following objective: 'We will pursue structural reforms and sound economic policies to promote innovation as well as improve productivity and dynamism'.*

## F. APEC Economic Policy Report (AEPR) 2023: Structural Reform and An Enabling Environment for Inclusive, Resilient and Sustainable Businesses

For eight consecutive years, the PSU has managed the production of the EC's flagship annual report. Like in previous years, the PSU collaborated closely with a core team of EC members and the EC to produce the AEPR 2023, including drafting chapters of the main report with support from an external consultant.

This year's report focused on the role of structural reform in enabling the private sector, particularly small and medium enterprises (SMEs), to contribute toward sustainability, inclusion and resilience. It highlighted the connection between structural reform and sustainable, resilient and inclusive growth, as well as how governments can leverage it to improve economic outcomes. The report delved into good regulatory practices, covering their characteristics and principles, and their role in promoting growth, particularly for SMEs. It also examined how structural reform can facilitate growth throughout the business life cycle and analyzed cross-cutting factors, such as innovation, climate change, and the inclusion of underrepresented groups, which influence the business life cycle and must be considered in structural reform efforts. Additionally, it addressed how economies monitor and evaluate the sustainability performance of businesses, including encouraging small businesses to participate in reporting systems, and provided recommendations for creating an enabling environment for inclusive, resilient, sustainable businesses through structural reforms.

The report was presented to the EC and endorsed by Senior Officials. APEC Ministers welcomed the report and encouraged economies to implement its recommendations. To enhance implementation, the EC has tasked the PSU, as part of its mandate on the AEPR, to conduct a short survey in 2024 to review economies' progress on implementation and identify capacity building needs.

*This project contributes to the economic driver of Innovation and Digitalisation with the following objective: 'We will pursue structural reforms and sound economic policies to promote innovation as well as improve productivity and dynamism'; and the economic driver of Strong, Balanced, Secure, Sustainable and Inclusive Growth with the following objective: 'To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies, we will foster quality growth that brings palpable benefits and greater health and wellbeing to all, including MSMEs, women and others with untapped economic potential'.*

For SOM Steering Committee on Economic and Technical Cooperation (SCE)

## G. The APEC Women and the Economy Dashboard 2023

Policy Partnership on Women and the Economy (PPWE). Since 2015, the PSU has released biennial updates to the Dashboard, culminating in this fifth edition. The Dashboard offers a snapshot of the status of women in the region by monitoring trends in indicators selected based on the five priority pillars identified by PPWE, namely: (1) access to capital and assets; (2) access to markets; (3) skills, capacity-building and health; (4) leadership, voice and agency; and (5) innovation and technology.

The results of the 2023 Dashboard showed significant progress in key areas affecting women's economic participation and social inclusion. However, it also underscored the persistence of policy and data gaps, limiting women's access to markets and opportunities, which impeded their full economic participation. Significantly, the 2023 Dashboard marked the first edition with data after the start of the pandemic, which allows comparing the conditions that women are currently facing with the situation before the start of the COVID-19 pandemic. This has been useful to identify areas where changes have occurred, most likely motivated or caused by the pandemic. The Dashboard also contributed to monitoring the La Serena Roadmap for Women and Inclusive Growth (2019-2030). It was used by PPWE in the preparation of the 2023 La Serena Roadmap Implementation Report, which was endorsed by SCE. Among the five recommendations to accelerate efforts to achieve gender equality and advance women's economic empowerment, three include references to the dashboard.

The findings were shared with the Small and Medium Enterprises Working Group (SMEWG) and with SCCP during their workshop on advancing gender equality in APEC customs administration. Additionally, they were shared with CTI and PPWE during their joint dialogue on advancing gender equity in trade. The 2023 Dashboard was presented to PPWE, and its findings were reported at the APEC Women and the Economy Forum. Furthermore, a key finding from the 2023 Dashboard—highlighting a policy gap in access to credit by women—was raised during the Finance Ministers’ Meeting. APEC Economic Leaders reaffirmed their commitment to promote economic growth, including by fostering the full and equal participation and leadership of women in the economy. APEC Ministers also noted the Dashboard report and encouraged incorporating disaggregated data for gender equality.

*This project contributes to the economic driver of **Strong, Balanced, Secure, Sustainable and Inclusive Growth** with the following objective: “To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies, we will foster quality growth that brings palpable benefits and greater health and wellbeing to all, including MSMEs, women and others with untapped economic potential”.*

## Other Activities

### **H. Technical Support**

The PSU provided technical support in several ways, such as by participating as a speaker and resource person in a capacity building workshop organized to support Peru as the APEC 2024 host economy, and providing advice on the potential areas that Peru was exploring as possible priorities for 2024.

### **I. Participation in Meetings and Events**

Throughout the APEC 2023 United States year, the PSU actively engaged in meetings and events across the APEC structure, assuming diverse roles. Beyond attending and reporting on the progress of projects, the PSU shared technical knowledge, findings and analyses derived from the studies undertaken with various APEC groups. In return, the PSU benefited by learning from and building connections with the participants, including government officials, technical experts and the private sector, thereby enhancing the PSU’s overall work.

At the level of Ministers,

- (1) APEC Ministers: APEC Ministerial Meeting (14-15 November).
- (2) Ministers Responsible for Trade: Ministers Responsible for Trade Meeting (25-26 May).
- (3) Transportation: Transportation Ministerial Meeting (15-17 May).
- (4) Women: APEC Women and the Economy Forum (WEF) (20 August).
- (5) Women and SME: Joint Session of WEF and Small and Medium Enterprises Ministerial Meeting (20 August).

At the levels of Senior Officials, committees and fora,

- (6) Senior Officials’ Meeting (SOM) from the First to the Concluding SOM, including the SOM Friends of the Chair on Connectivity Meeting. The PSU also attended the Informal SOM, including the Symposium, organized by Peru, the APEC 2024 host economy.
- (7) Committee on Trade and Investment (CTI) plenary meetings, including an informal session and a CTI-PPWE joint dialogue on advancing gender equity in trade.

- (8) CTI fora, specifically the Automotive Dialogue (AD), Digital Economy Steering Group (DESG) and DESG Data Privacy Subgroup, Group on Services (GOS) and GOS Technical Group for the APEC Index, Investment Experts' Group (IEG), and Sub-Committee on Customs Procedures (SCCP). Other related activity was convened by APEC Alliance for Supply Chain Connectivity (A2C2).
- (9) Economic Committee (EC) plenary meetings, including the EAASR mid-term review meeting.
- (10) EC fora, specifically the Competition Policy and Law Group (CPLG).
- (11) SOM Steering Committee on Economic and Technical Cooperation (SCE) plenary meetings, including the SCE Committee of the Whole (COW) informal meeting of sub-fora and SCE COW meeting.
- (12) SCE fora, specifically the Health Working Group (HWG), Human Resources Development Working Group (HRDWG) Labor and Social Protection Network, HRDWG Capacity Building Network, Policy Partnership on Women and the Economy (PPWE), Small and Medium Enterprises Working Group (SMEWG), Tourism Working Group (TWG), and Transportation Working Group (TPTWG) and TPTWG Land Expert Group.
- (13) Budget and Management Committee (BMC) plenary meeting.

Additionally, the PSU participated in meetings and events of the APEC Business Advisory Council (ABAC) and the APEC Study Centers Consortium (ASCC). A list of the PSU's participation in meetings and events at and outside APEC can be found in the two PSU Half-Year Evaluation Reports for 2023.

## CURRENT PROJECTS - DISCRETE

### For Committee on Trade and Investment (CTI)

#### **A. Helping Businesses Build and Maintain Open, Secure and Resilient Supply Chains**

This research, conducted by the PSU for CTI, is analyzing the requirements for effective and successful post-pandemic supply chain strategies. It examines the vulnerabilities in global supply chains in recent years, assessing their impact on trade and businesses in APEC economies. The study is also investigating the supply chain strategies adopted by firms and governments to address these vulnerabilities. Besides providing insight into and learning from best practices, the research aims to offer recommendations. These recommendations will help businesses promote dynamic and innovative supply chains that are open, secure, and resilient. Completion is expected in early 2024.

Initial findings were presented to CTI. Supporting businesses in building secure, resilient, effective, sustainable, and open supply chains was acknowledged by APEC Economic Leaders and APEC Ministers during their annual meetings in 2023.

*This project contributes to the economic driver of Trade and Investment with the following objective: 'We will promote seamless connectivity, resilient supply chains and responsible business conduct'.*

#### **B. Peer Review and Capacity Building on APEC Infrastructure Development and Investment (Reviewed Economy: Chile)**

Chile is the fifth economy to be reviewed under the mechanism on 'Peer Review and Capacity Building on APEC Infrastructure Development and Investment'. The previously reviewed economies are the Philippines; Viet Nam; Indonesia; and Papua New Guinea.

The process includes conducting peer review of policies and practices, including relevant laws, regulations and guidelines related to the planning, selection, and implementation process of infrastructure projects, and identifying capacity building needs of the reviewed economy through the peer review. The areas being reviewed include resilience and emergency and disaster management related to preventing and addressing traffic accidents, technology and intelligent road management, and the use of public direct investment for infrastructure development. The PSU, as tasked by CTI, continues to support the project, taking on the role of an ad-hoc review team secretariat and collaborating with Japan (facilitating economy) and external experts (review team) in the process. The project is due for completion in 2024.

The importance of quality infrastructure development and investment was reaffirmed by both APEC Economic Leaders and APEC Ministers.

*This project contributes to the economic driver of Trade and Investment with the following objective: 'We will promote seamless connectivity, resilient supply chains and responsible business conduct'.*

#### **C. A New Look at the Free Trade Area of the Asia-Pacific (FTAAP): Review of Work in Support of the APEC's FTAAP Agenda**

In 2023, the CTI endorsed the proposal 'A New Look at the FTAAP' to be part of the FTAAP Agenda Work Plan. Under this proposal, the PSU is tasked with conducting both a review and a study.

For the review, the PSU is assessing the work carried out by CTI and other sub-fora in support of the FTAAP agenda, as defined in the Putrajaya Vision and Aotearoa Plan of Action. The review is considering, where appropriate and relevant, the reports prepared by the PSU in 2018

and 2020, as well as the report on the 'Collective Strategic Study on Issues Related to the Realization of FTAAP'. It is due for completion in the first half of 2024.

*This project contributes to the economic driver of Trade and Investment with the following objective: 'We will further advance the Bogor Goals and economic integration in the region in a manner that is market-driven, including through the work on the Free Trade Area of the Asia-Pacific (FTAAP) agenda which contributes to high standard and comprehensive regional undertakings'.*

**D. A New Look at the Free Trade Area of the Asia-Pacific (FTAAP): Study on Convergences and Divergences of Free Trade Agreements in the APEC Region**

Constituting the second component of the proposal 'A New Look at the FTAAP', the PSU is conducting a study focusing on the areas of convergence and divergence across all chapters of trade agreements in the region that contribute to high standard and comprehensive undertakings, as called for in the Aotearoa Plan of Action. The study is comparing the contents of the topic chapters in five trade agreements: 1) ASEAN-Australia-New Zealand Free Trade Area (AANZFTA); 2) Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); 3) NAFTA upgraded by CUSMA / USMCA / T-MEC; 4) Pacific Alliance (Additional Protocol to the Framework Agreement); and 5) Regional Comprehensive Economic Partnership (RCEP).

Collectively, the aforementioned review and this study are assessing whether the work carried out by APEC is moving the FTAAP agenda forward, consistent with the mandate from the Putrajaya Vision and Aotearoa Plan of Action. The information will inform CTI's deliberations on further actions to advance APEC's work in support of the Putrajaya Vision and Aotearoa Plan of Action. The study is due for completion in the first half of 2024.

APEC Ministers welcomed the progress made on the FTAAP Agenda Work Plan and looked forward to the PSU's review and study.

*This project contributes to the economic driver of Trade and Investment with the following objective: 'We will further advance the Bogor Goals and economic integration in the region in a manner that is market-driven, including through the work on the Free Trade Area of the Asia-Pacific (FTAAP) agenda which contributes to high standard and comprehensive regional undertakings'.*

**E. Promoting the Utilization of Paperless Trade Platforms in the Post COVID 19 Era**

In this CTI project, the PSU is examining paperless trade platforms, which are used to digitize documents related to trade procedures, within the APEC region. The primary objectives include exploring the potential for interoperability among these platforms. This is being achieved by conducting a stock take of paperless trade platforms in use across APEC economies, reviewing the functionalities of these platforms, and identifying the necessary elements for paperless trade. The culmination of this study will be the development of recommendations aimed at helping businesses engage in paperless trade through these platforms. The expected completion is in the second half of 2024.

APEC Ministers encouraged economies to intensify efforts to promote digitalization of trade procedures through developing and implementing paperless trade facilitation measures.

*This project contributes to the economic driver of Innovation and Digitalisation with the following objective: 'We will strengthen digital infrastructure, accelerate digital transformation, narrow the digital divide, as well as cooperate on facilitating the flow of data and strengthening consumer and business trust in digital transactions'.*

For SOM Steering Committee on Economic and Technical Cooperation (SCE)

**F. Issues Paper on Enhancing MSME Data Interoperability in the APEC Region**

Small and Medium Enterprises Working Group (SMEWG). This study aims to contribute to policy discussions within SMEWG and APEC in general by identifying challenges, finding opportunities, and proposing recommendations to improve MSME data compatibility and interoperability. Data compatibility and interoperability will improve the quality of MSME data for APEC, contribute to a factual and accurate basis for evidence-based policymaking on MSME issues in the region, and help to communicate APEC's work in supporting MSMEs. The expected completion is in the second half of 2024.

APEC Ministers recognized the significance of MSMEs and encouraged economies to improve data on MSMEs to inform their economic growth, empowerment and inclusion efforts, as per domestic circumstances.

*This project contributes to the economic driver of Strong, Balanced, Secure, Sustainable and Inclusive Growth with the following objective: 'To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies, we will foster quality growth that brings palpable benefits and greater health and wellbeing to all, including MSMEs, women and others with untapped economic potential'.*

## CURRENT PROJECTS - ONGOING

### A. APEC Regional Trends Analysis

The PSU publishes APEC Regional Trends Analysis on a periodic basis. The publication offers an overview of the region's economy by analyzing recent macroeconomic, trade, and investment trends. It also monitors the implementation of recent trade and investment measures across the region while discussing potential risks and opportunities for the regional economic outlook. In the year 2023, a total of four issues were released.

- The February issue indicated a significant projected weakening of the APEC region in 2022, following strong growth in 2021, as downside risks dominate. A pick-up in economic growth is expected in 2023, but stubborn inflation, higher interest rates, and debt, combined with sluggish trade and investments, impact the economic outlook. The highly uncertain and challenging environment requires clear, coordinated, and consistent policies.
- The May issue expected slower and more uneven APEC GDP growth in the short term, in tandem with the global economy. Downside risks continue to be significant as APEC and the world grapple with stubborn inflation, high debt, financial sector strains and geoeconomic fragmentation. Decelerating trade and rising inequality, exacerbated by the pandemic, add to the challenges. The role of regional cooperation is more important than ever to encourage inclusive dialogue and concerted efforts to achieve growth and inflation objectives, mitigate growing inequality, and implement structural reforms that promote human capital development and improve product, labor and financial markets.
- The August issue anticipated a moderation in economic growth, accompanied by a contraction in merchandise trade due to lower external demand and changes in supply chain strategies. Risks have moderated as authorities have been taking actions to bring down inflation. However, the decline in inflation is fragile as the outlook is uncertain. Trade restrictive measures, fiscal sustainability and geopolitical issues are affecting the economy. In addition, a strong El Niño weather pattern in the next few months may cause big economic shocks.
- The November issue revealed an improvement in APEC GDP growth, but it was uneven across member economies. The post-pandemic recovery faces significant downside risks, with the pandemic legacy, stubborn inflation, geopolitical issues, climate change, trade protectionism and geoeconomic fragmentation casting shadows over APEC's prospects. Upside opportunities for growth could come from sustained strength in tourism and consumption as well as continued targeted fiscal support. While the region is expected to grow at a more stable pace in the short to medium term, supported by a rebound in trade, it is vital to remain vigilant and address uncertainties head-on. Over the long-term, an aging population will present multifaceted challenges, including increased healthcare and pension costs.

The issues were presented to Senior Officials, EC, and at two events organized by the Singapore APEC Study Centre. It was also presented during a news conference.

*This contributes to the economic driver of Trade and Investment with the following objective: 'To ensure that the Asia-Pacific remains the world's most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment'; and the economic driver of Innovation and Digitalisation with the following objective: 'We will pursue structural reforms and sound economic policies to promote innovation as well as improve productivity and dynamism'.*



## B. PSU Policy Briefs

The PSU produces policy briefs to provide concise analyses of policy issues since 2011. In 2023, the PSU published the following policy brief:

- Policy Paths toward Low-emission Multimodal Transportation in APEC (No. 55, May): This brief outlined the main policy interventions that can contribute to realizing low-emission transport systems in a timely, feasible and inclusive manner to address climate change challenges. It condensed empirical findings and key policy recommendations for the land, aviation, and maritime transportation sectors, and concluded with a discussion on the need to ensure a just transition to a low-emission transport future.

The brief was presented to the Land Expert Group of TPTWG. The recommendations therein, particularly those on low and zero-emission vehicles, sustainable aviation fuels, and low and zero-emission maritime shipping and port decarbonization, were acknowledged by APEC Economic Leaders and APEC Transport Ministers.

*This contributes to the economic driver of Strong, Balanced, Secure, Sustainable and Inclusive Growth with the following objective: 'We will promote economic policies, cooperation and growth, which will support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet'.*

## C. APEC in Charts

The PSU releases APEC in Charts on an annual basis. This well-received publication utilizes charts to illustrate the economic, trade, investment, and selected APEC 2023 priorities' performance within the region. The 2023 edition was released ahead of the APEC Economic Leaders' Week in November, with the upcoming issue scheduled for publication in November 2024.

## D. StatsAPEC

The PSU maintains StatsAPEC ([statistics.apec.org](https://statistics.apec.org)), the APEC statistics portal, which includes data dating back to APEC's inception in 1989. It consists of the Key Indicators database and the Bilateral Linkages database. The portal now features data for 2022, updated in June and December 2023, for most indicators and APEC economies. The PSU has commenced efforts to revamp the statistics portal for improved engagement and easier access to the data.

## E. Enhanced APEC Agenda for Structural Reform (EAASR) Sub-Fund Assessment Group

Since 2022, the PSU has been providing advice and feedback on concept notes submitted by APEC economies applying for project funding under the EAASR Sub-Fund. The PSU previously fulfilled the same role during the operation of the Renewed APEC Agenda for Structural Reform (RAASR) Sub-Fund from 2017 to 2021.

## F. APEC Bio-Circular-Green (BCG) Award Selection Committee

The PSU Director serves as a member of the APEC BCG award selection committee, which is tasked with the responsibility of evaluating and ranking nominees for the award and selecting winners in each of the three award categories, namely women, youth and micro, small and medium enterprises (MSMEs). The winners of the first BCG award were announced in November 2023.

**G. Support to APEC Services Competitiveness Roadmap (ASCR)**

As tasked in the Implementation Plan of the ASCR, the PSU has been supporting GOS in monitoring the progress of the roadmap. This year, the PSU prepared the first of three annual reports on 'Monitoring Pandemic Recovery under the ASCR'. These reports will continue to be produced annually until 2025, coinciding with the conclusion of the ASCR. The report focused on the growth and developments related to trade barriers in the travel, transport (including logistics-related services), and 'other business services' sectors. Furthermore, the PSU contributed to work on the APEC Index by participating in an event on 'Advancing the Services Agenda in APEC: Expansion and Application of the APEC Index', held in Papua New Guinea.

**H. Support to Aotearoa Plan of Action, A Plan for Implementing APEC Putrajaya Vision**

The PSU has been tasked with supporting the Aotearoa Plan of Action, endorsed by APEC Leaders in 2021, as follows: 'With assistance from the PSU, APEC economies will evaluate progress towards achieving the APEC Putrajaya Vision 2040. Committees will work with the PSU to identify relevant indicators that will support this evaluation'.

In response to this task, the PSU provided technical support to the committees during the evaluation process. The outputs of these evaluations are documented in three respective documents: 'Evaluating Progress on the Aotearoa Plan of Action: Trade and Investment Perspective' for CTI; 'EAASR Mid-Term Review Report' for EC; and 'Evaluation of SCE's Progress Towards Achieving APEC Putrajaya Vision 2040' for SCE.

APEC Ministers acknowledged the evaluation of the implementation of the Aotearoa Plan of Action and recognized progress economies have made to further the Aotearoa Plan of Action.

## MANAGEMENT AND ACCOUNTABILITY

### ROLE AND STRUCTURE

The PSU was established in 2008 as APEC's research and analysis arm. The founding principles and expectations of the PSU are set out in the [PSU Governance Arrangements](#).

The PSU comprises a Board and staff under the management of the PSU Director. The Board is made up of:

- representatives from each of the current, immediate past and next host economies (often referred to collectively as the 'troika');
- a representative of each contributing economy; and
- APEC Secretariat Executive Director, PSU Director, and chairs of the CTI, EC and SFOM in an ex-officio capacity.

The Chair of the Board is the current SOM Chair (represented by his delegate). The Vice-Chair is the Senior Official (represented by her delegate) of the next host economy. Members have agreed that where a member economy is nominally entitled to more than one representative on the PSU Board, due to being both a troika member and a contributing economy, that economy would only send a single representative to sit on the Board. PSU Board decisions are made by consensus.

PSU policy research professionals are contracted employees, recruited on merit through an internationally competitive selection process. Information on the PSU Board members and PSU staff members in 2023 are set out in the 'About the PSU' section in this annual report.

### KEY RESPONSIBILITIES

The PSU Board provides strategic guidance to the PSU. The PSU Director is responsible for implementing the principal objectives of the PSU, while ensuring its work program is undertaken in a timely manner and managing its budget and procurement of consultants.

The Senior Analysts and Analysts assist in research, project management and mentoring of staff. With respect to financial management, accounting and payroll services are outsourced, and the PSU Director and Administrative Executive are responsible for financial management.

### HUMAN RESOURCES

During the 43<sup>rd</sup> PSU Board Meeting on 25 February 2023, the PSU Director provided an update on the implementation of key recommendations from the Human Resource (HR) Review (Document No. 2023/SOM1/PSU/BM43/009). He also outlined plans for 2023, including discussions with the PSU Board for gradual salary adjustments, initiating an external compensation review in 2024, and implementing recommendations to enhance the performance management process and reduce learning and development gaps. The issue of initiating the external compensation review process in 2024 was discussed at the 44<sup>th</sup> PSU Board Meeting on 12 August 2023, and will continue in 2024.

## CONTRIBUTIONS IN 2023

APEC funding: The PSU received financial and in-kind contributions from the following APEC economies in 2023:

APEC economies	Contributions (in original currency)	Contributions (in SGD)
Financial contributions:		
Australia*	AUD 550,000	SGD 491,355
Hong Kong, China	USD 200,000	SGD 269,704
Japan	JPY 60,000,000	SGD 602,349
Korea	KRW 241,000,000	SGD 246,482
Mexico**	MXN 500,000	SGD 38,550
New Zealand	NZD 130,000	SGD 108,446
The Philippines	PHP 2,000,000	SGD 47,832
Chinese Taipei	USD 100,000	SGD 136,682
United States	USD 639,560	SGD 852,375
In-kind contributions:		
Singapore	Office space	

Note: (\*) A contribution of AUD 350,000 for 2024 was received in 2023, with the remaining amount expected to be received over the course of 2024. (\*\*) Mexico made a commitment to provide voluntary financial contributions to the PSU in November 2023 and will become a PSU Board member in 2024.

External funding: The PSU has accepted sponsorship from the Hinrich Foundation for fellowships and research, totaling up to SGD 36,000. This funding will cover the monthly allowance for two student fellows, supervisory expenses and will be disbursed upon confirmation of each student fellow and completion of research outputs. The sponsorship period is from 24 July 2023 to 31 December 2024. As of 31 December 2023, the Hinrich Foundation disbursed SGD 12,000 to the PSU upon confirming the first student fellow. Recruitment for the second student fellow for 2024 commenced in the last quarter of 2023.

**FINANCIAL STATEMENTS 2023****AUDITOR'S REPORT**

As required by the PSU Governance Arrangements, the auditor's report on the financial statements for the financial year ended 31 December 2023 is presented.



**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**ANNUAL REPORT**

**31 DECEMBER 2023**

**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

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**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**STATEMENT BY THE DIRECTOR**

In the opinion of the director, the accompanying financial statements which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of fund and statement of cash flows for the year then ended, with notes thereon, are drawn up in accordance with the Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respects, of the financial position of the APEC Policy Support Unit of Asia-Pacific Economic Cooperation (APEC) Secretariat (the "PSU") as at 31 December 2023 and of the financial performance, changes in fund and cash flows of the PSU.

The Director has, on the date of this statement, authorised these financial statements for issue.

The Sole Director



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Mr. Carlos Augusto Kuriyama Shishido  
Director

22 April 2024



Chartered Accountants of Singapore

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIA-PACIFIC ECONOMIC COOPERATION (APEC)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of APEC Policy Support Unit of Asia-Pacific Economic Cooperation (APEC) Secretariat (the "PSU"), as at 31 December 2023, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of fund and statement of cash flows for the year then ended, and notes to the financial statements, including a Material accounting policy information.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respects of the financial position of the PSU as at 31 December 2023 and of the financial performance, changes in fund and cash flows of the PSU for the year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the PSU in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Director for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the FRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PSU's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PSU or to cease operations, or has no realistic alternative but to do so.

Director is responsible for overseeing the PSU's financial reporting process.



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIA-PACIFIC ECONOMIC COOPERATION (APEC)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PSU's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PSU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PSU to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Chartered Accountants of Singapore

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIA-PACIFIC ECONOMIC COOPERATION (APEC)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

*Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lawrence Chen Tse Chau.

*Prime Accountants LLP*

**PRIME ACCOUNTANTS LLP**

Public Accountants and  
Chartered Accountants

Singapore, 22 April 2024

**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	4	18,858	694
Right-of-use asset	5	5,776	7,251
		24,634	7,945
<b>Current asset</b>			
Contribution receivables	6	38,550	27,166
Other receivables	7	78,830	64,499
Prepayments	8	21,740	8,926
Cash and short-term deposits	9	12,229,128	11,326,161
		12,368,248	11,426,752
<b>Total Assets</b>		<b>12,392,882</b>	<b>11,434,697</b>
<b>FUNDS</b>			
Accumulated funds		11,956,670	11,353,934
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liability	10	4,534	5,936
<b>Current liabilities</b>			
Lease liability	10	1,402	1,330
Other payables	11	118,006	73,497
Other liabilities	12	312,270	-
		431,678	74,827
<b>Total Liabilities</b>		<b>436,212</b>	<b>80,763</b>
<b>Total Funds and Liabilities</b>		<b>12,392,882</b>	<b>11,434,697</b>

*The accompanying notes form an integral part of the financial statements.*

**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
<b>Revenue</b>	13	2,793,775	2,822,276
Other operating income/(expenses):	14		
Interest income from financial assets at amortised cost		295,393	81,945
Others		(121,789)	(22,940)
		173,604	59,005
Administrative expenses	15	(2,364,293)	(2,755,127)
Finance cost	10	(350)	(32)
Net surplus before tax		602,736	126,122
Income tax	16	-	-
<b>Net surplus for the year, representing total comprehensive income for the year</b>		<u>602,736</u>	<u>126,122</u>

**STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
<b>Balance as at 1 January</b>		11,353,934	11,227,812
Total comprehensive income for the year		602,736	126,122
<b>Balance as at 31 December</b>		<u>11,956,670</u>	<u>11,353,934</u>

*The accompanying notes form an integral part of the financial statements.*

**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Surplus for the year		602,736	126,122
Adjustments for:			
Depreciation of plant and equipment		6,927	3,103
Depreciation of right-of-use asset		1,475	123
Interest income		(295,393)	(81,945)
Interest expenses		350	32
Unrealised exchange loss/(gain)		133,897	87,505
Operating cash flows before working capital changes		449,992	134,940
Change in working capital			
Contribution receivables		300,886	3,648
Other receivables		(245)	4,069
Other payables		44,509	(102,724)
Prepayments		(12,814)	4,782
		332,336	(90,225)
Net cash flows generated from operating activities		782,328	44,715
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(25,091)	-
Net cash flows generated from investing activities		(25,091)	-
<b>Cash flows from financing activities</b>			
Interest paid		(350)	(32)
Payment of finance lease liability		(1,330)	(108)
Net cash flows used in financing activities		(1,680)	(140)
Net increase in cash and cash equivalents		755,557	44,575
<b>Cash and cash equivalents at beginning of the year</b>		3,275,624	3,282,889
Effect of changes in exchange rate on cash and bank balances		(56,832)	(51,840)
<b>Cash and cash equivalents at end of the year</b>	9	3,974,349	3,275,624

*The accompanying notes form an integral part of the financial statements.*

**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

**1. General**

The Asia-Pacific Economic Cooperation (APEC) Secretariat (the "APEC Secretariat") is a body corporate established in the Republic of Singapore under the International Organisations (Immunities and Privileges) Act. The registered address and its principal place of operations of the Secretariat is located at 35 Heng Mui Keng Terrace, Singapore 119616.

The APEC Policy Support Unit (the "PSU") became active since August 2008 as a new function within the APEC Secretariat with a mandate to provide a policy and research capability to assist in the implementation of APEC's ongoing regional economic integration agenda. It currently focuses on behind-the-border (structural) economic reforms and at-the-border trade policy reforms; both of which contribute to increase living standards in APEC economies and the enhancement of trade and investment amongst them. It is funded differently from the Secretariat under arrangements as set out in the PSU Governance Arrangements.

The principal activities of the PSU include the following:

- I. Undertaking analytical work or commissioning research for consideration by APEC committees;
- II. Preparing policy dialogue papers for APEC committees;
- III. Evaluating progress in implementation of policy measures; and
- IV. Identifying high level policy principles and best practice.

**2. Material accounting policy information**

**2.1 Basis of preparation**

The financial statements of the PSU have been drawn up in accordance with Financial Reporting Standards in Singapore (FRSs). The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the PSU's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are expressed in Singapore dollars (\$) which is the functional currency of the PSU.

**2.2 Adoption of new and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the PSU has adopted all the new and amended standards which are relevant to the PSU and are effective for annual financial periods beginning on or after 1 January 2023. The adoption of these standards did not have any material effect on the financial performance or position of the PSU.

**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2023(Continued)**

**2. Material accounting policy information (Continued)**

**2.3 Standards issued but not yet effective**

The PSU has not adopted the following applicable standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to FRS 116 Leases: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to FRS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024
Amendments to FRS 7 Statement of Cash Flows and FRS 107 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025
Amendments to FRS 110 Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determine

The director expects that the adoption of the standards above, where applicable, will have no material impact on the financial statements in the year of initial application.

**2.4 Plant and equipment**

All plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment losses. The cost of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be operating in the manner intended by management.

Depreciation of plant and equipment is calculated on the straight-line method so as to write off the cost of the assets over their estimated useful lives as follows:

Computer	3 years
Furniture and fittings	3 years
Office equipment	3 years
Software	3 years

The residual values, useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in the statement of comprehensive income when the changes arise.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the PSU and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the profit or loss when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2023(Continued)

2. Material accounting policy information (Continued)

2.5 Financial instruments

(a) Financial assets

**Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the PSU measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Contribution receivable being the voluntary contribution from member economies is measured at the amount of consideration to which such contribution has been agreed and the PSU expects to be received, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

**Subsequent measurement**

*Investments in debt instruments*

Subsequent measurement of debt instruments depends on the PSU's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of financial assets are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL. The PSU only has debt instruments at amortised cost which comprise of contribution receivable, other receivables (exclude GST recoverable) and cash and short-term deposits as presented on the statement of financial position.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

**Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for financial asset is recognised in profit or loss.



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**2. Material accounting policy information (Continued)**

**2.5 Financial instruments (Continued)**

**(b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the PSU becomes a party to the contractual provisions of the financial instrument. The PSU determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

Financial liabilities of the PSU comprise only non-derivative financial liabilities which are measured at amortised cost, i.e. other payables as presented on the statement of financial position. Financial liabilities are presented as current liabilities unless the PSU has an unconditional right to defer settlement for at least 12 months after the statement of financial position date, in which case they are presented as non-current liabilities.

**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

**2.6 Impairment of financial assets**

The PSU recognises an allowance for expected credit losses (ECLs) for all financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the PSU expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivable, if any, the PSU applies a simplified approach in calculating ECLs. Therefore, the PSU does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The PSU has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment which could affect receivables' ability to pay.

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2023(Continued)**

**2. Material accounting policy information (Continued)**

**2.7 Impairment of non-financial assets**

The PSU considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the PSU may also consider a financial asset to be in default when internal or external information indicates that the PSU is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the PSU. A financial asset, including contribution receivable, is written off when there is no reasonable expectation of recovering the contractual cash flows.

The PSU assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists (or, where applicable, when an annual impairment testing for an asset is required), the PSU makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such a reversal is recognised in profit or loss.

**2.8 Employee benefits**

**(a) Defined contribution plans**

Contributions made to defined contribution plans, the Central Provident Fund ("CPF") are recognised as an expense in the statement of comprehensive income as incurred.

**(b) Employee paid leave entitlement**

Employee paid leave entitlement is recognised when they accrue to employees. A provision is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to the reporting date.

**2.9 Income Tax**

The PSU, as a special unit within the Secretariat, is similarly exempted from tax liability in respect of its income generated from its principal activities by virtue of the provisions of Section 11(1) of the Singapore Income Tax Act, Chapter 134.

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2023(Continued)

2. Material accounting policy information (Continued)

2.10 Leases

The PSU assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The PSU applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The PSU recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

**Right-of-use assets**

The PSU recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the PSU at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.7.

**Lease liabilities**

At the commencement date of the lease, the PSU recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the PSU and payments of penalties for terminating the lease, if the lease term reflects the PSU exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the PSU uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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2023(Continued)

2. Material accounting policy information (Continued)

2.10 Leases (Continued)

(a) As lessee (Continued)

***Short-term leases and leases of low-value assets***

The PSU applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term deposits, which are subject to an insignificant risk of changes in value.

2.12 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the PSU are measured using the currency of the primary environment in which the PSU operates ("the functional currency"). The financial statements are presented in Singapore dollars, which is the PSU's functional and presentation currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of comprehensive income.

2.13 Provisions

Provisions are recognised when the PSU has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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**2. Material accounting policy information (Continued)**

**2.14 Revenue recognition**

Revenue is measured based on the voluntary contributions from member economies to which the PSU expects to be entitled in exchange for transferring promised goods or services to the member economies, excluding amounts collected on behalf of third parties. Revenue is recognised at a point in time when the PSU obtains the rights to receive cash from the respective member economies.

**(a) Contribution from member economies**

The PSU recognises revenue when its right on voluntary contribution from members economies is established and measures the amount of revenue at the fair value of the contribution.

**(b) Interest income**

Interest on fixed deposit is recognised on time-proportion basis using the effective interest method.

**3. Significant accounting judgements and estimates**

The preparation of the PSU's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

**3.1 Judgements made in applying accounting policies**

*Determination of functional currency*

In determining the functional currency of the PSU, judgement is used by the PSU to determine the currency of the primary economic environment in which the PSU operates and faithfully represents the economic effects of the underlying transactions, events and conditions. The functional currency of the PSU has been determined using the currency that mainly influences the operating costs of the PSU in providing services to APEC members and related activities.

*Measurement of ECLs on contribution receivable*

The PSU recognises contribution from member economies as an income when its right to receive the voluntary contribution is established and the fair value amount of contribution is determined.

Management is of view that the credit risk of contribution receivable as at the reporting date is minimal as such voluntary contribution is simply a promise to give and all of cash payment is to be received in the subsequent period.

Accordingly, ECL on contribution receivables is measured using 12-month ECLs and details of credit risk assessment is disclosed in Note 17(a) to the financial statements.

**3.2 Key sources of estimation uncertainty**

There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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2023(Continued)

4. Plant and equipment

	Computer \$	Furniture and fittings \$	Office equipment \$	Software \$	Total \$
<b>At cost</b>					
At 1.1.2022	85,199	16,097	11,606	9,426	122,328
Additions	-	-	-	-	-
Disposal	(20,129)	-	-	(9,426)	(29,555)
At 31.12.2022 and 1.1.2023	65,070	16,097	11,606	-	92,773
Additions	25,091	-	-	-	25,091
Disposal	(26,894)	-	(170)	-	(27,064)
At 31.12.2023	63,267	16,097	11,436	-	90,800
<b>Accumulated depreciation</b>					
At 1.1.2022	82,897	15,754	10,454	9,426	118,531
Depreciation for the year	2,302	245	556	-	3,103
Disposal	(20,129)	-	-	(9,426)	(29,555)
At 31.12.2022 and 1.1.2023	65,070	15,999	11,010	-	92,079
Depreciation for the year	6,273	98	556	-	6,927
Disposal	(26,894)	-	(170)	-	(27,064)
At 31.12.2023	44,449	16,097	11,396	-	71,942
<b>Net book value</b>					
At 31.12.2023	18,818	-	40	-	18,858
At 31.12.2022	-	98	596	-	694

5. Right-of-use asset

	Office equipment \$
<b>Cost</b>	
At 01.01.2022, 31.12.2022 and 01.01.2023	7,374
Additions	-
At 31 December 2023	7,374
<b>Accumulated depreciation</b>	
At 01.01.2022, 31.12.2022 and 01.01.2023	123
Depreciation for the year	1,475
At 31 December 2023	1,598
<b>Net book value</b>	
At 31 December 2023	5,776
At 31 December 2022	7,251

Details of such lease asset are disclosed in Note 10 to the financial statements.

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**6. Contribution receivables**

	2023 \$	2022 \$
Member economies	<u>38,550</u>	<u>27,166</u>

Contribution receivable is non-interest bearing and receivable in cash.

**7. Other receivables**

	2023 \$	2022 \$
GST recoverable	639	499
Other receivable	105	-
Interest receivable	<u>78,086</u>	<u>64,000</u>
	<u>78,830</u>	<u>64,499</u>

**8. Prepayments**

	2023 \$	2022 \$
Prepayments	<u>21,740</u>	<u>8,926</u>

**9. Cash and short-term deposits**

	2023 \$	2022 \$
Bank balances	3,974,349	3,275,624
Fixed deposits	<u>8,254,779</u>	<u>8,050,537</u>
	<u>12,229,128</u>	<u>11,326,161</u>

Fixed deposits are placed with financial institutions and earn interest at the rates ranging from 2.40% to 5.50% per annum (2022: 2.40% to 4.23%). The fixed deposits are on auto rollover and have maturity terms of 3 to 10 months (2022: 3 to 10 months) from the reporting date.

For the purpose of presenting the statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

	2023 \$	2022 \$
Cash and short-term deposits	12,229,128	11,326,161
Less: Fixed deposits	<u>(8,254,779)</u>	<u>(8,050,537)</u>
	<u>3,974,349</u>	<u>3,275,624</u>

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2023(Continued)**

**10. Lease liabilities**

	2023 \$	2022 \$
Non-current	4,534	5,936
Current	1,402	1,330
	<u>5,936</u>	<u>7,266</u>

The PSU entered into a lease arrangement for office equipment in November 2023, with a lease term of five years commencing from 1 December 2023. Reconciliation of movements of lease liabilities to cash flows arising from financing activities as below.

	1 January 2023	Cash Flows	Non-cash changes			31 December 2023
			Addition			
			Addition	Accretion of interest	Other	
	\$	\$	\$	\$	\$	\$
<b>Liabilities</b>						
<b>Lease liabilities</b>						
-Current	1,330	(3,118)	-	350	2,840	1,402
-non-current	5,936	1,438	-	-	(2,840)	4,534
	<u>7,266</u>	<u>(1,680)</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>5,936</u>

The carrying amount and addition of right-of use assets are disclosed in Note 4. Amounts recognised in the statement of comprehensive income and total cash flows for the lease as below.

	2023 \$	2022 \$
Statement of comprehensive income:		
Depreciation of right of use asset	1,475	123
Interest expense	350	32
Lease expense not capitalised in lease liability:		
- Expense relating to lease of low-value asset*	<u>-</u>	<u>1,540</u>

\*The PSU has lease of equipment with lease of office equipment, which the PSU applies the "lease of low-value asset" recognition exemptions for this lease. This lease was terminated early during the year.



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**11. Other payables**

	2023 \$	2022 \$
Accrued operating expenses	65,445	27,872
Provision for unutilised leave	52,561	45,625
	<u>118,006</u>	<u>73,497</u>

**12. Other liabilities**

	2023 \$	2022 \$
Deferred Contribution Received	<u>312,270</u>	<u>-</u>

**13. Revenue**

	2023 \$	2022 \$
Australia	491,355	536,943
People's Republic of China	-	139,666
Hong Kong, China	269,704	-
Japan	602,349	733,115
Republic of Korea	246,482	301,028
Mexico	38,550	-
New Zealand	108,446	180,845
The Philippines	47,832	27,166
Chinese Taipei	136,682	282,632
Thailand	-	62,217
The United States	852,375	558,664
	<u>2,793,775</u>	<u>2,822,276</u>

Revenue from the contribution of member economies is recognised at a point in time.

**14. Other operating income/(expense)**

	2023 \$	2022 \$
Other operating income:		
Fixed deposit interest	295,393	81,945
Foreign currency exchanges gain	-	-
Gain in disposal of plant and equipment	-	-
Others	12,108	66,969
	307,501	148,914
Other operating expenses:		
Foreign currency exchanges loss	(133,897)	(89,909)
	<u>173,604</u>	<u>59,005</u>

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**15. Administrative expenditure**

	2023 \$	2022 \$
Accountancy fee	6,000	6,000
Advertising fee	-	1,680
Audit fee	4,720	4,180
Bank charges	1,869	2,400
Consultants and research fee	254,316	626,858
Data subscription	2,491	1,149
Depreciation expense	8,402	3,226
General expenses	22,030	21,678
Insurance	22,090	22,553
Medical fee	1,889	1,740
Newspaper and periodical	354	2,108
Office and building maintenance	38,421	37,880
Printing and stationery	10,367	11,556
Professional fee	-	-
Postage and courier	144	575
Lease expense – office equipment	-	1,540
Telecommunication	1,765	3,002
Transportation	1,855	1,417
Travelling expenses	317,823	67,636
Utilities	2,864	2,715
	697,400	819,893
Staff cost*:		
CPF and SDL	63,304	62,536
Salaries and bonuses	1,421,778	1,643,726
Staff welfare	181,811	228,972
	1,666,893	1,935,234
<b>Total expenses</b>	<b>2,364,293</b>	<b>2,755,127</b>

\*Included in staff cost, an amount of \$491,826 (2022: \$444,511) being the total remuneration paid to a key management personnel of the PSU.

**16. Income tax**

The PSU is a unit function of APEC Secretariat which is funded under arrangements as set out in the PSU Governance Arrangements and details of its principal activities as disclosed in Note 1. Accordingly, its surplus from operations is not subject to income tax.

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**17. Financial Risk Management**

The PSU's activities expose it to a variety of financial risks from its operations. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The Secretariat reviews and agrees policies and procedures for the management of these risks, which are executed by the PSU's management. It is, and has been throughout the current and previous financial year, the PSU's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the PSU's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the PSU's exposure to these financial risks or the manner in which it manages and measures the risks.

**(a) Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the PSU. The PSU's exposure to credit risk arises primarily from contribution receivables. For other financial assets comprise of other receivables (exclude GST receivables) and cash and bank deposits, the PSU minimises credit risk by dealing exclusively with high credit rating counterparties.

The PSU has adopted a policy of only dealing with creditworthy counterparties. The PSU performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The PSU considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The PSU has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the PSU has developed and maintained the PSU's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information. The PSU considers available reasonable and supportive forward-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the debtor.
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

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2023(Continued)**

**17. Financial Risk Management (Continued)**

**(a) Credit risk (Continued)**

The PSU determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor.
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganization.
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The PSU categorises receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The PSU's current credit risk grading framework comprises the following categories:

<b>Category</b>	<b>Definition of category</b>	<b>Basis for recognising expected credit loss (ECL)</b>
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL - credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
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**17. Financial Risk Management (Continued)**

**(a) Credit risk (Continued)**

The table below details the credit quality of the PSU's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross Carrying Amount \$	Loss Allowance \$	Net Carrying Amount \$
<b>31 December 2023</b>						
Contribution receivables	6	I	12-month ECL	38,550		38,550
Other receivables	7	I	12-month ECL	78,086		78,086
<b>31 December 2022</b>						
Contribution receivables	6	I	12-month ECL	27,166	-	27,166
Other receivables	7	I	12-month ECL	64,000	-	64,000

Contribution receivables

Contribution receivable comprise the voluntary contribution which is simply a promise to give and full payment was received subsequent to the year end.

Other financial assets (other receivables and bank deposits)

The PSU assessed the latest performance and financial position of the counterparties adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of these other financial assets. The PSU considers that its cash at bank has low credit risk based on the external credit rating of counterparties.

The PSU measured the impairment loss allowance using 12-month ECL of other financial assets and determined that the ECL is insignificant.

**(b) Liquidity risk**

Liquidity risk refers to the risk that the PSU will encounter difficulties in meeting its short-term obligations due to shortage of funds. The PSU's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The PSU's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The PSU's operations are financed mainly through equity. The director is satisfied that funds are available to finance the operations of the PSU.

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2023(Continued)**

**17. Financial Risk Management (Continued)**

**(b) Liquidity risk (Continued)**

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the PSU's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

<b>As at 31.12.2023</b>	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
<b>Financial liabilities</b>				
Other payables	118,006	118,006	118,006	-
Lease liability	5,936	6,580	1,680	4,900
<b>Total undiscounted financial liabilities</b>	<b>123,942</b>	<b>124,586</b>	<b>119,686</b>	<b>4,900</b>
<hr/>				
<b>As at 31.12.2022</b>	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
<b>Financial liabilities</b>				
Other payables	73,497	73,497	73,497	-
Lease liability	7,266	8,260	1,680	6,580
<b>Total undiscounted financial liabilities</b>	<b>80,763</b>	<b>81,757</b>	<b>75,177</b>	<b>6,580</b>

**(c) Market risk**

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the PSU's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**(i) Interest rate risk**

The PSU is exposed to interest rate risk through the impact of rate changes on interest earning assets.

Interests earning financial asset is mainly fixed deposit interest from financial institutions which earn interest at fixed rates within the maturity period and will rollover automatically if they are not being withdrawn on the maturity date. The detail of the fixed deposit and their current interest rates are disclosed in Note 8.

No sensitivity analysis has been presented as these fixed deposits with fixed interest rate are not subject to interest rate risk within their maturity period.

**(ii) Foreign currency risk**

The PSU's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the PSU does not have any formal policy for hedging against currency risk. The PSU ensures that the net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2023(Continued)

17. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Foreign currency risk (Continued)

The PSU has transactional currency exposures arising from income or expenditure that are denominated in a currency other than the functional currency of the PSU, i.e. USD. To manage the foresaid foreign currency risk, the PSU maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from income into foreign currency bank accounts which are primarily used for payments of purchases/expenses in the same currency denomination. The PSU ensures that the net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

	2023	2022
	\$	\$
In USD		
<b>Financial assets</b>		
Contribution receivables	38,550	27,166
Other receivables	53,517	43,480
Cash and cash equivalents	7,603,436	7,057,107
	<u>7,695,503</u>	<u>7,127,753</u>

A 1% (2022: 1%) strengthening of Singapore dollar against the foreign currency denominated balances as at the reporting date would decrease surplus for the year, by the amounts shown below. This analysis assumes that all other variables remain constant.

	Impact to surplus for the year	
	2023	2022
	\$	\$
Financial assets	<u>(76,955)</u>	<u>(71,278)</u>

A 1% weakening of Singapore dollar against the foreign currency would have had the opposite effect that is equal to the amounts shown above, on the basis that all other variables remain constant.

18. Fair Value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Contribution receivables, cash and short-term deposit, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

**APEC POLICY SUPPORT UNIT  
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) SECRETARIAT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2023(Continued)**

**19. Authorisation for Issue of Financial Statements**

The financial statements for the financial year ended 31 December 2023 were authorised for issue by the PSU's Director at date of the Statement by the Director.



**ADDITIONAL NOTE**

With reference to Notes to the Financial Statements for the Year Ended 31 December 2023, a breakdown of accrued operating expenses under Note 11 - Other payables is as follows:

**Accrued operating expenses**

	2023
	\$
2023 Q4 Expense Reimbursement (to APEC Secretariat)	16,575.23
2023 Q4 Professional Fees (to accountant, auditor and lawyer)	5,600.00
2023 Q4 Invoices (to vendors)	2,666.91
12/2023 Salary, Allowances and Manpower Levies (to staff)	<u>40,603.34</u>
Total	<u><u>65,445.48</u></u>

## ABOUT THE PSU

### ESTABLISHMENT AND MANDATE

In September 2007, APEC Ministers agreed to establish a Policy Support Unit (PSU) attached to the APEC Secretariat. The unit, funded by voluntary contributions, was to provide analytical capacity, policy support and assistance in coordinating related capacity building for APEC's trade, investment and economic reform agenda and related Economic and Technical Cooperation (ECOTECH) activities. The underlying aim was to offer the potential for APEC fora to elevate the quality of their deliberations with access to tailor-made analytical work and provide for greater follow-up of initiatives intersessionally.

In March 2008, Senior Officials approved a foundation document for the PSU – [PSU Governance Arrangements](#) – and the PSU became operational a few months later in August. Since then, the PSU had gone through three reviews – in 2010, 2012 and 2017. The last (a mid-term) review led to the granting of an ongoing mandate to the PSU by APEC Ministers and Senior Officials. This means that with effect from 1 January 2018, the PSU will continue to operate as long as it has the financial resources. Financial sustainability of the PSU remains a topic of discussion for Senior Officials and the PSU Board.

### VISION, MISSION AND STRATEGIC GOALS

Vision: For the PSU to be recognized as an integral part of the APEC architecture and a highly respected source of policy research and analysis, contributing to APEC's goal of supporting sustainable economic growth and prosperity in the Asia-Pacific region.

Mission: The PSU's mission—as the policy research and analysis arm of APEC, comprised of openly recruited professionals—is to provide objective and high-quality research, analytical capacity and policy support capability to the APEC Senior Officials, committees and fora in order to contribute to improving the quality of deliberations and decisions in the forum and in promoting policies that support the achievement of APEC's goals.

Strategic Goals: The PSU pursues four strategic goals in 2023: (1) To improve communications within the PSU, with other units at the APEC Secretariat, and with APEC stakeholders; (2) To provide high-quality policy analysis and recommendations by providing useful evidence-based research to APEC stakeholders to improve the quality of deliberations and facilitate the decision-making process; (3) To anticipate and reduce operational risks in order to ensure business continuity, so that deliverables can be met on time; and (4) To raise the profile of the PSU as the policy analysis and research arm of APEC.

### RESEARCH AGENDA

The PSU pursues a policy research and analysis agenda to support the achievement of APEC Putrajaya Vision 2040, which APEC Economic Leaders endorsed in 2020 to guide APEC's work for the next twenty years, including the Aotearoa Plan of Action which was endorsed in 2021 to implement the Vision.

**PSU BOARD MEMBERS**

Mr Matt Ingeneri, USA	PSU Board Chair (Current Host Economy), Contributing Economy
Mr Jorge Garcia; and Mr Victor Muñoz, Peru	PSU Board Vice-Chair (Next Host Economy)
Mrs Salinee Phonprapai, Thailand	Immediate Past Host Economy
Mr Ben Jarvis, Australia	Contributing Economies
Mr Zhang Guoqiang, China	
Ms Noel Ng; and Ms Joanie Fok, Hong Kong, China	
Mr Seiichiro Katsura; and Mr Takuo Miyazaki, Japan	
Ms Kim Sun Young, Korea	
Ms Rapunzel De Leon, New Zealand	
Ms Marie Sherylyn D. Aquia; and Mr Marcos A.S. Punsalang, the Philippines	
Ms Chin Siew Fei; and Ms Yvonne Liu, Singapore	
Mr Yu-Chieh Wang, Chinese Taipei	
Dr Rebecca Fatima Sta Maria	
Mr Carlos Kuriyama	PSU Director
Mr Blake van Velden	CTI Chair
Mr James Ding	EC Chair
Mr Jerrod Mason	SFOM Chair

**PSU STAFF MEMBERS**

Mr Carlos Kuriyama	PSU Director (from 1 January)
Ms Chang Hui Ling	Administrative Executive
Ms Esther Neelavani d/o Magalingam	Administrative Assistant
Ms Aveline Low Bee Hui	Policy Advisor
Dr Akhmad Bayhaqi	Senior Analyst
Mr Emmanuel A. San Andres	Senior Analyst
Mr Andre Wirjo	Analyst
Ms Rhea Crisologo Hernando	Analyst (from 1 October)
Ms Nguyen Thu Quynh	Researcher
Mr Sylwyn C. Calizo Jr	Researcher
Mr Glacer Niño A. Vasquez	Researcher (from 1 September)
Mr Eldo Malba Simanjuntak	Researcher (from 18 September)

Staff biographies are available on the [PSU website](#).