



**Asia-Pacific
Economic Cooperation**

Advancing Free Trade
for Asia-Pacific **Prosperity**

Annual Report 2019

APEC Policy Support Unit

May 2020

Prepared by:
Asia-Pacific Economic Cooperation Policy Support Unit
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace
Singapore 119616
Tel: (65) 6891-9600 Fax: (65) 6891-9419
Email: psugroup@apec.org Website: www.apec.org

Produced for:
Asia-Pacific Economic Cooperation
APEC Senior Officials' Meeting

APEC#220-SE-01.5



This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 3.0 Singapore License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-sa/3.0/sg/>.

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



**Asia-Pacific
Economic Cooperation
Secretariat**

APEC Senior Officials

Dear Senior Officials

On behalf of APEC Policy Support Unit (PSU) and in accordance with clauses 54 and 55 of the PSU Governance Arrangements, I am pleased to enclose the PSU Annual Report 2019.

Denis Hew
Director
APEC Policy Support Unit

TABLE OF CONTENTS

Projects and Activities	1–12
Overview of Projects and Activities.....	1
Completed Projects in 2019.....	3
Current Projects – Discrete.....	8
Current Projects – Ongoing.....	11
Management and Accountability	13
Role and Structure.....	13
Key Responsibilities.....	13
Contributions in 2019.....	13
Financial Statements 2019	14–38
About the PSU	39–40
Establishment and Mandate.....	39
Vision, Mission and Objectives.....	39
Research Agenda.....	39
PSU Board Members.....	40
PSU Staff Members.....	40

PROJECTS AND ACTIVITIES

OVERVIEW OF PROJECTS AND ACTIVITIES

The year 2019 heralds the beginning of a second decade for APEC Policy Support Unit (PSU), by then it has accumulated a wealth of knowledge on APEC. After all, the PSU has been analyzing the trade, investment and economic environment in the APEC region and studying policy issues pertinent to APEC for the past 11 years. Among the projects completed in 2019, the PSU has been involved in some of them as early as 2011, allowing it thus to gain a deep understanding of how APEC has evolved in those areas over the years. They comprised the following:

- APEC's Ease of Doing Business initiative, tracking its progress since 2011 with final review on its second action plan just completed.
- APEC's Bogor Goals Dashboard, updating it on an annual basis since 2012, the latest in 2019.
- APEC Supply-Chain Connectivity Framework Action Plan, measuring its progress since 2013, with interim review on its second phase just completed.
- Investment Facilitation Action Plan, reviewing its implementation since 2013, with review for the period 2017-2018 just done.
- APEC Women and the Economy Dashboard, preparing it on a biennial basis since 2015, with the third edition just completed.
- Peer Review and Capacity Building on APEC Infrastructure Development and Investment, serving as the ad-hoc review team secretariat for the third time since 2017.

Likewise, the PSU has been providing substantive support to the Economic Committee with their annual flagship report since 2016, hence building up a strong relationship over the years. For the 2019 APEC Economic Policy Report, the PSU worked closely with both the Economic Committee and Finance Ministers' Process on the topic of structural reform and the digital economy.

Other deliverables for 2019 included:

- Committee on Trade and Investment: Studies on tariffs and on the use of data by firms.
- Economic Committee: Study on structural reform measures to improve women's access to labor markets, finance and capital.
- SOM Steering Committee on Economic and Technical Cooperation: Compendium on policies and preventive measures to reduce land-based marine debris in APEC economies for Ocean and Fisheries Working Group.
- Other fora: Study on issues related to the use of financial technologies for financial inclusion and consumer protection for Finance Ministers' Process, and study into the insights of regulatory environment and its impact on trade in services in food value chains for Policy Partnership on Food Security.
- Biannual reports on APEC Regional Trends Analysis, with theme chapters addressing (1) APEC at 30 – A region in constant change, and (2) Counting what counts.
- Annual issue of APEC in Charts.

Besides undertaking work of a research and assessment nature, the PSU also provided technical support. It continued supporting the APEC Vision Group and provided technical inputs to an APEC project involving a baseline study on labor market information. That was not all; when work on all the aforementioned were going on, the PSU was involved in nine other projects due in 2020 as well as discussing a few potential others.

APEC groups acknowledged the PSU's contributions – the APEC Vision Group in their report and Finance Ministers in their joint statement. Acknowledgement also came from the annual survey findings, revealing that Senior Officials and surveyed groups were very satisfied with the projects completed by the PSU. More importantly, the findings revealed that not only were the projects used to support discussions and decisions in APEC, they were able to improve the quality of that deliberations and decisions as well. They also had good impression on the PSU's work, the best recorded since 2013, viewing the PSU as a valuable and useful resource to their work.

On outreach, the PSU continued to disseminate its work by speaking in events both within and outside the APEC circuit. A listing of these events is available in the two half-year evaluation reports prepared by the PSU. In addition to producing more infographics, the PSU also started publishing blog articles to make its work more accessible.

On collaboration, the PSU worked with the OECD on a number of occasions: participating in a panel on regional economic outlook; working on an article on OECD's approach to measuring wellbeing for APEC Regional Trends Analysis; and obtaining source data for OECD charts and clarification on indicators. With Cities Alliance, the PSU built on an earlier collaboration by co-organizing a side event at the Seventh Asia-Pacific Urban Forum to disseminate the PSU's research. The PSU also worked with two U.N. agencies – with ILO on a baseline study of APEC economies in labor mobility and labor market data, and with ESCAP on a policy brief on trade facilitation in APEC. Other engagement included the ADBI, ASEAN Secretariat, ERIA, OMFIF, World Economic Forum, and World Trade Organization.

The PSU also maintained communication with APEC Study Centers. Besides participating in the annual conference, the PSU had interactions with a few of them, namely: it co-organized two seminars with Singapore APEC Study Center; organized an informal roundtable discussion for Thailand APEC Study Center; and contributed an article to the online journal of Australia APEC Study Center.

On the institutional front, deliberation on the issue of financial sustainability continued. This included the proposal for a universal minimum contribution but that did not gain traction. The APEC Vision Group also recognized the need to address the long-term funding for the PSU, including it as one of the recommendations in their report. Following a suggestion from the recent Concluding Senior Officials' Meeting, discussion on the issue will continue during the next meeting of the Budget and Management Committee.

The PSU is extremely grateful to APEC member economies for their continued faith and support, without which it will not be able to persist with its mission of providing robust policy research and analysis in support of APEC's goals all these years. Particularly, the PSU Board has been instrumental in providing strategic guidance to the unit: in its research plan, work program and budget.

The coming year will be a busy one for the PSU with four major assessments, projects that are already underway, and a few potential ones in the pipeline. There could be more, but that will have to take into consideration the unit's capacity and resources. The year ahead will also mark a new milestone in APEC, and the PSU stands ready to support member economies in the process of charting a post-2020 vision for APEC.

COMPLETED PROJECTS IN 2019

For Senior Officials' Meeting (SOM)

A. APEC's Bogor Goals Dashboard, 2019

A yearly exercise since 2012, the PSU prepared the Bogor Goals Dashboard for SOM and the Committee on Trade and Investment to show the evolution of certain aspects of trade and investment liberalization and facilitation through the use of harmonized indicators. The report contained 22 dashboards, one for the APEC region and one for each of the 21 APEC member economies.

The next update will be in 2020 when the PSU conducts the final assessment on Bogor Goals.

For APEC Vision Group (AVG)

B. Technical Support in Preparing Input toward the APEC Vision Group Report

The PSU continued to provide technical support to AVG, this year by updating economic and trade-related data in the report and apprising members of recent trends in the region at one of the two meetings convened. The PSU's contribution was acknowledged by AVG in their report titled "People and Prosperity: An APEC Vision to 2040" that was submitted to Senior Officials.

For Committee on Trade and Investment (CTI) and Fora

C. Fostering an Enabling Policy and Regulatory Environment in APEC for Data-Utilizing Businesses

The PSU conducted the study for CTI with an aim to better understand how firms from different sectors use data in their business models; and considering the significant increase in data-related policies and regulations enacted by governments across the world, how such policies and regulations are affecting their use of data and hence business models. The study also identified middle-ground approaches that would enable governments to achieve public policy objectives, such as data security and privacy, and at the same time, promote the growth of data-utilizing businesses. A total of 39 firms from diverse industries in 12 APEC economies participated in the study. The findings were presented at a CTI Trade Policy Dialogue that was organized on this topic (Puerto Varas, August 2019).

D. Taking Forward the Lima Declaration on the Free Trade Area of the Asia-Pacific (FTAAP) - Study on Tariffs

To implement the Lima Declaration on the FTAAP adopted by APEC Leaders in 2016, CTI agreed to a work program on tariffs the following year and further requested the PSU to undertake a study on tariffs that was included in the work program. The study consisted of three parts: (1) updating the tariff analysis in the Collective Strategic Study on Issues Related to the Realization of the FTAAP completed by CTI in 2016; (2) conducting a literature review on previous studies analyzing the potential impact of lowering tariffs through the FTAAP; and (3) examining tariff liberalization commitments as pathways to the FTAAP. The PSU presented the findings at a CTI Capacity Building Workshop on Tariffs (Puerto Varas, August 2019).

E. Peer Review and Capacity Building on APEC Infrastructure Development and Investment (Reviewed Economy: Indonesia)

Indonesia became the third economy after the Philippines and Viet Nam to be reviewed under the mechanism on 'Peer Review and Capacity Building on APEC Infrastructure Development

and Investment'. It involved a peer review on the current institutional setup, policies and practices (including relevant laws, regulations and guidelines) related to infrastructure development and investment in Indonesia, specifically on the toll-road and clean water sectors. Capacity building needs were identified following the peer review. Policy recommendations on further steps to promote private sector participation in infrastructure development and investment in Indonesia were also provided.

For this project, Japan remained as the facilitating economy while the PSU was requested by CTI to continue with the role of an ad-hoc review team secretariat. The PSU helped in setting up a review team comprising technical experts as well as supported the team throughout the review process, from document based review, review visits to the preparation of the report.

F. APEC Supply-Chain Connectivity Framework Action Plan (SCFAP) 2017-2020: Interim Review of External Indicators

Continuing the involvement since the first phase of SCFAP (2010-2015) and at the request of CTI, the PSU will be reviewing the implementation of the second phase of SCFAP (2017-2020). The interim review, conducted in 2019, examined APEC's progress in addressing the five chokepoints, namely: (1) lack of coordinated border management and underdeveloped border clearance and procedures; (2) inadequate quality and lack of access to transportation infrastructure and services; (3) unreliable logistics services and high logistical costs; (4) limited regulatory cooperation and best practices; and (5) underdeveloped policy and regulatory infrastructure for e-commerce. The results showed that APEC's overall performance was relatively mixed – promising results for chokepoints 1 and 2, rather mixed results for chokepoints 3 and 5, and less favorable results for chokepoint 4. The review also identified that issues such as harmonization of regulations may have hindered the region's supply chain connectivity performance from reaching its full potential.

G. Facilitating Investment in APEC: Improving the Investment Climate through Good Governance

For Investment Experts' Group (IEG). This was the third review on the Investment Facilitation Action Plan (IFAP) undertaken by the PSU, following the first review in 2013-2014 and the second in 2017. The report analyzed the implementation of three IFAP principles for the period 2017-2018, namely: Principle 2 - Enhance stability of investment environments, security of property and protection of investors; Principle 3 - Enhance predictability and consistency in investment-related policies; and Principle 5 - Build constructive stakeholder relationships. The results showed that APEC economies have implemented investment facilitation actions to improve the investment climate in several key policy areas. Such actions would help to stabilize FDI flows and sustainability in the long run. Good governance was identified as an overlapping aspect that could be adopted to ensure better performance across the three principles.

For Economic Committee (EC)

H. APEC Economic Policy Report (AEPR) 2019: Structural Reform and the Digital Economy

A testament to the good support provided in the past years, the PSU was again requested by EC to manage the production of its annual flagship publication – the AEPR. The PSU worked closely with a core team comprising members from both EC and Finance Ministers' Process in preparing the report, a continuation of the collaboration established last year. With structural reform and the digital economy as the topic, the report provided an overview of the digital economy and discussed how structural reforms, particularly core structural reforms (i.e., competition policy, regulatory reform, public sector governance, and ease of doing business), could enable economies to maximize opportunities in this dynamic field. The report also covered the importance of holistic policy approaches in ensuring inclusion in the digital economy as well as the need to ensure that core structural reforms are pro-inclusive.

AEPR 2019 was endorsed by Senior Officials and Finance and Central Bank Deputies, and welcomed by Finance Ministers. EC has requested the PSU to support the preparation of AEPR 2020 with a topic on structural reform and women's empowerment.

I. APEC's Ease of Doing Business (EoDB): Final Assessment 2015-2018

The PSU was involved in the assessment of both the first and second phases of APEC's EoDB initiative, covering the periods 2009-2015 and 2016-2018, respectively. Conducted for EC, the final assessment on the Second EoDB Action Plan looked at APEC's progress in five priority areas by comparing its performance in 2015, the baseline year, with that in 2018 using indicators from the World Bank's Doing Business. The five areas were: (1) Starting a Business; (2) Dealing with Construction Permits; (3) Getting Credit; (4) Trading Across Borders; and (5) Enforcing Contracts. The results showed that APEC's combined progress in 2018 was equal to 11.6%, exceeding the 10% improvement target. The area of Getting Credit achieved the greatest progress, followed by the areas of Starting a Business and Dealing with Construction Permits.

J. Structural Reform Measures to Improve Women's Access to Labor Markets, Finance, and Capital

A collaboration between EC and the Policy Partnership on Women and the Economy, the report examined structural reform processes throughout APEC economies to remove barriers to women's access to labor markets, finance and capital. It highlighted the importance of sex-disaggregated data to inform policy change and evaluate policy effectiveness. The report included two case studies that provided detailed information on the process to reform and adopt new policies, namely: (1) the reform process to develop pay equity legislation in New Zealand, and (2) the process to adopt a financial inclusion strategy in Mexico. The report also provided recommendations to advance inclusive, transparent and efficient reform processes across APEC economies. The PSU presented the final report at the APEC Women and the Economy Forum (La Serena, October 2019).

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

K. Technical Support to APEC Project on Sharing and Reporting Labor Market Information in the APEC Region

For Human Resources Development Working Group (HRDWG). An APEC project of HRDWG, the PSU provided technical inputs to a baseline study on APEC economies in labor mobility and labor market data that was prepared by the International Labour Organization (ILO, Regional Office for Asia and the Pacific). Apart from reviewing and providing comments on the baseline questionnaire and draft report, the PSU offered a regional dimension by authoring a chapter on APEC and regional initiatives on labor market information and labor mobility. The PSU also participated in the APEC Labour Mobility Statistics Forum where findings from the study were presented and discussed (Vina del Mar, May 2019).

L. Compendium of Policies and Preventive Measures to Reduce Land-based Marine Debris in APEC Economies

Ocean and Fisheries Working Group (OFWG). The PSU prepared a compendium for OFWG to provide a snapshot of the policies and preventive measures currently in place in APEC economies to reduce the entry of plastic waste into the sea. The findings showed that APEC economies have implemented a wide range of measures, including both regulatory and non-regulatory instruments, to manage marine debris pollution. The findings also revealed gaps with scope for improvement such as stronger enforcement of legislation, innovation on alternative plastics, and adoption of new technologies to monitor marine debris.

M. The APEC Women and the Economy Dashboard 2019

For Policy Partnership on Women and the Economy (PPWE). This was the third biennial Dashboard prepared by the PSU for PPWE to provide a snapshot on the status of women in APEC. The PSU measured the progress of women's participation in economic-related activities and women's inclusion in several aspects of life by looking at 95 indicators that were classified into five areas, 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 showed general improvements, both significant and incremental, particularly in women's access to capital, assets, technology, institutions and markets over a period spanning at least 10 years. However, there remained a need to address structural barriers and policy gaps to encourage greater economic participation of women.

The Dashboard was formally launched during the APEC Women and the Economy Forum (La Serena, October 2019), where APEC Ministers and Heads of Delegation welcomed the Dashboard, recognizing it as a key source of information on the status of women in the region. Leveraging on experience with the Dashboard, the PSU also provided technical inputs toward the development of the La Serena Roadmap for Women and Inclusive Growth (2019-2030).

For Other Fora

N. APEC Financial Inclusion Capacity Building Package – Synthesis Report

For Finance Ministers' Process (FMP). The Financial Inclusion Capacity Building Package was initiated by Finance and Central Bank Deputies in 2018 to examine issues related to the use of financial technologies (fintech) for financial inclusion and consumer protection. At their request, the PSU provided technical support to a core team that was set up to manage delivery of the package. The support culminated in the preparation of a synthesis report where besides providing a background on financial inclusion in APEC economies and the opportunities and risks of fintech, it distilled inputs from APEC economies on their challenges, responses, and capacity building needs with respect to financial inclusion and consumer protection. The report also discussed the role of regional cooperation and APEC in promoting financial inclusion through fintech.

Finance Ministers during their 26th meeting (Santiago, October 2019) welcomed the completion of the package and accorded their appreciation to the PSU.

O. Insights on the Regulatory Environment within APEC Economies and Its Impact on Trade in Services in Food Value Chains

For Policy Partnership on Food Security (PPFS). The PSU conducted the study for PPFS to look at the role of services in the food value chain, specifically on these three key services: financial, logistics and distribution. The role of ICT in food value chains was also examined. The study pointed out that improvement of regulatory environment affecting the provision of services in the food value chain requires a "whole-of-government" approach effort, and there is no "one-size-fits-all" solution. It offered suggestions that could be beneficial for the food value chains, such as adopting international standards and best practices in regulatory issues affecting the food industry and services sectors associated to it, and using technology and modern ICT services.

Others

P. Capacity Building

The PSU has been an active participant in capacity building activities for the incoming APEC host economies for the past several years. This year, the PSU participated in an APEC Capacity

Building Workshop on Supporting Malaysia's 2020 Host Year organized by the U.S.-Support for Economic Growth in Asia (US-SEGA) (Kuala Lumpur, April 2019).

Q. Support to Event Organization

The panel on regional economic outlook has become a mainstay in recent EC plenary meetings. The PSU supported EC in organizing a panel with a focus on digital economy during EC1 Plenary Meeting (Santiago, March 2019). In addition to organizing speakers from Global Affairs Canada, the UN Economic Commission for Latin America and the Caribbean (ECLAC) and the OECD Development Centre, the PSU facilitated and spoke in the panel.

R. Participation in Meetings and Events

The PSU's participation spanned across the APEC structure, from the level of Ministers to the fora. At the Ministers' level,

- (1) Ministers Responsible for Trade: Besides being a participant, the PSU submitted APEC Regional Trends Analysis (May 2019) to the Ministers.
- (2) Finance Ministers' Meeting: The PSU, at the Core Team Lead's request, presented key findings from AEPR 2019 on Structural Reform and the Digital Economy.
- (3) APEC Women and the Economy Forum: The PSU, as author of the APEC Women and the Economy Dashboard 2019, supported the launch of the report.

At the levels of Senior Officials, committees and fora, the PSU's participation covered:

- (4) SOM and other SOM-level meetings, namely: Friends of the Chair on Connectivity, Friends of the Chair on Urbanization, and Steering Group on Post-2020 Vision. Other related activities consisted of meetings convened by AVG and the Multi-Stakeholder Dialogue on APEC Post-2020.
- (5) CTI and its fora, specifically the Digital Economy Steering Group (DESG), Group on Services (GOS), Investment Experts' Group (IEG), Market Access Group (MAG) and Sub-Committee on Customs Procedures (SCCP). Other related activities were convened by APEC Alliance for Supply Chain Connectivity (A2C2) and Asia-Pacific Model E-Port Network (APMEN).
- (6) EC and its fora, specifically the Competition and Law Group (CPLG).
- (7) SCE fora, specifically the Anti-Corruption and Transparency Working Group (ACTWG), Human Resources Development Working Group (HRDWG), Ocean and Fisheries Working Group (OFWG), Policy Partnership on Women and the Economy (PPWE), and the Small and Medium Enterprises Working Group (SMEWG).
- (8) Other fora, specifically the Policy Partnership on Food Security (PPFS), and Finance Ministers' Process (FMP) consisting of Finance Ministers' Meeting (FMM), Finance and Central Bank Deputies' Meeting (FCBDM) and Senior Finance Officials' Meeting (SFOM).

Aside from the above, the PSU participated in cross-fora meetings, namely: (1) ACTWG Cross Fora Collaboration Meeting with SCCP, PPWE and SMEWG, and (2) 3rd Joint Meeting of Agricultural Technical Cooperation Working Group (ATCWG), High Level Policy Dialogue on Agricultural Biotechnology (HLPDAB), OFWG and PPFS. The PSU also participated in the annual conference organized by the APEC Study Centers Consortium.

CURRENT PROJECTS - DISCRETE

For Senior Officials' Meeting (SOM)

A. Assessment of APEC Strategy for Strengthening Quality Growth (ASSQG)

APEC Leaders in 2015 instructed Senior Officials to commission the PSU to report in 2020 the impact of the extensive APEC work program on improving quality growth, and to report the findings to them so that they can review APEC's progress in promoting ASSQG. Subsequently tasked by Senior Officials, the PSU prepared an assessment plan in 2019 to report on the implementation of ASSQG. The PSU has since reached out to APEC economies and fora to gather information on their achievements, challenges and opportunities relating to ASSQG, specifically on the three key accountability areas of institution building, social cohesion, and environmental impact. The final report is expected in the third quarter of 2020.

B. APEC's Bogor Goals: Final Assessment

In line with the Bogor Goals Progress Report Guidelines endorsed by APEC Ministers in 2011, the PSU will conduct the final assessment on APEC's Bogor Goals in 2020 and work closely with SOM and the Committee on Trade and Investment in the process. Work has commenced with the preparation of an assessment schedule. The PSU has also started to gather information for the assessment, namely: (1) updates from APEC economies on their individual action plans to find out their progress toward the Bogor Goals and the key challenges they faced, and (2) reports from economies on their trade and investment liberalization and facilitation efforts that are related to the Bogor Goals. The assessment will be completed in the last quarter of 2020.

C. APEC Connectivity Blueprint: Mid-term Review

Following the endorsement of APEC Connectivity Blueprint (2015-2025) by APEC Leaders, Senior Officials developed a Dedicated Arrangement to monitor, review and evaluate the implementation of the Blueprint. Among others, the PSU was tasked to facilitate a mid-term and final evaluation mechanism. To prepare for the mid-term review in 2020, the PSU has developed a framework to conduct the review. Besides employing a mix of qualitative and quantitative methods, the PSU will gather additional information on physical, institutional and people-to-people connectivity from APEC economies and fora. The report is expected to be completed in the last quarter of 2020.

For Committee on Trade and Investment (CTI)

D. Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2018 by APEC Economies

An initiative of CTI, this was the fifth annual report produced by the PSU for the APEC Information Sharing Mechanism on RTA/FTAs. The report provided an overview of the evolution of RTA/FTA network in the APEC region and identified current trends and new features in the trade agreements implemented in 2018. Specifically, it included an analysis of the chapters on intellectual property, investment and rules of origin in four trade agreements that were put in force by at least one APEC economy in 2018. The four agreements were: (1) China – Georgia FTA; (2) Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); (3) Hong Kong, China – Macao, China FTA; and (4) The Philippines – European Free Trade Association (EFTA) FTA.

E. Assessment of Capacity Building Needs on Trade Related Aspects of E-commerce to Support WTO Negotiation on Trade Related Aspects of E-commerce

The CTI project aims to contribute to the capacity building of APEC economies in developing and implementing regulatory frameworks on cross-border e-commerce to support and move forward ongoing discussion on trade related aspects of e-commerce in WTO. Toward this end, the project will raise awareness and deepen understanding of the technical aspects related to cross-border e-commerce, including the Internet and related technologies, and how the technical design of the Internet interacts with the economic environment. It will also review existing regulatory frameworks related to cross-border e-commerce in APEC economies and from there, identify capacity building needs. The project is due for completion before the end of 2020.

For Economic Committee (EC)

F. Renewed APEC Agenda for Structural Reform (RAASR) 2016-2020: Final Review

APEC Structural Ministers in 2015 mandated the PSU to assess progress of APEC economies in their structural reform efforts through a mid-term review and final review on RAASR. The former was completed in 2018, while the latter is due in 2020. The PSU has set the process in motion by drawing up a timeline and requesting APEC economies to prepare their individual economy report. The PSU also proposed additional quantitative indicators for the review, a response to one of the ideas surfaced during the High-Level Structural Reform Officials' Meeting convened by EC in 2018. The final review is expected to be presented at the Structural Reform Ministers' Meeting in 2020.

G. Technical Support to RAASR Action Team

The EC has set up a RAASR Action Team to take forward work on planning priorities for the successor to RAASR. As requested by EC, the PSU will provide technical support to the RAASR Action Team pertaining to the preparation of input papers for the Structural Reform Ministers' Meeting in 2020. The support includes providing comments on the terms of reference for external consultants, scoring proposal submissions, and reviewing draft input papers. The PSU may also participate in a policy dialogue and a preparatory meeting.

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

H. APEC Case Studies on Inclusive Policies

A project for SCE, the PSU will synthesize case studies contributed by APEC economies to identify best practices in promoting inclusion and realizing APEC Leaders' overarching goal of achieving a more inclusive APEC community by 2030. The aim is to offer references that APEC economies can utilize in establishing and implementing inclusive policies. The study will focus mainly on the social and economic inclusion pillars of the 2017 Action Agenda on Advancing Economic, Financial, and Social Inclusion in the APEC Region. It is expected to conclude in the third quarter of 2020.

I. Overview of the SME Sector in the APEC Region: Key Issues on Market Access and Internationalization

For Small and Medium Enterprises Working Group (SMEWG). This project seeks to update the PSU report on SME Market Access and Internationalization that was published in 2010. Undertaken at the request of SMEWG, it aims to improve understanding of the current definition of SMEs, their size and contribution to the economy, and their distribution by sector and gender. The project also aims to provide inputs to APEC's future work on SMEs as well as support

APEC economies in designing better policies to advance SMEs' economic participation and inclusion. It is due for completion in the first half of 2020.

Others

J. Other Projects

The PSU has been engaged in preliminary discussion on a number of potential projects for next year, among there are: AEPR 2020 on structural reform and women's empowerment and a compendium of resources for the facilitation of trade in legally harvested forest products.

CURRENT PROJECTS - ONGOING

A. APEC Regional Trends Analysis

The PSU publishes APEC Regional Trends Analysis twice a year. The May report, with a theme chapter on “APEC at 30 – A Region in Constant Change”, looked back at the founding principles of APEC and reviewed changes in the region during the past three decades. As the region faces rising inequality, climate change, and digital disruption, APEC will need to strengthen the spirit of 1989—cooperative, holistic, and innovative—to face the challenges of the next 30 years.

The next chapter on economic and trade trends showed that trade tensions have translated into the imposition of tariffs and countermeasures, which, in turn, have manifested in uneven growth among APEC economies in 2018. As the APEC region grapples with a global environment marked by persistent trade tensions and policy uncertainty, sustaining the region’s growth has become a delicate balancing act that requires implementing measures to support continued economic expansion while ensuring that growth remains sustainable and inclusive.

In the November report, the theme chapter on “Counting What Counts” discussed the limitations and nuances of GDP. While it provides vital indicators of economic output and risk, it is unable to inform on other important aspects of the economy. Economic policy discussions need to go beyond GDP and complement it with other measures that can inform on the distribution of economic benefits, environmental costs of production, and increasing importance of data in the digital economy. The chapter also featured a contribution from the OECD on their approach to measuring wellbeing.

The next chapter showed that the APEC region grew at a slower pace in January-June 2019 at 3.6 percent. In the short-term period covering 2019-2021, APEC is expected to continue to grow but at a moderated pace, in tandem with the global economy. Risks of a further escalation in trade and technology tensions remain, which could further weaken the global economy. Amid elevated uncertainty, APEC needs to diversify sources of economic growth.

B. PSU Policy Brief Series

The PSU published four policy briefs in 2019, namely:

- (1) Trade Facilitation in APEC: Progress and Impact (No. 25, January 2019): Co-authored with the United Nations ESCAP, the policy brief reviewed APEC economies’ progress in trade facilitation by analyzing their implementation of the WTO Trade Facilitation Agreement. Two key initiatives APEC has in place to facilitate smooth and secure trade were also discussed.
- (2) Recognizing Sustainability in Tourism (No. 26, February 2019): This policy brief discussed the issue of ‘greenwashing’, or exaggerated sustainability claims, by examining the use of environmental certifications to address greenwashing and of accreditation in regulating these certifications. It also looked at the possible role APEC can play in this.
- (3) Customs Cooperation in APEC: Strengthening Regional Cooperation (No. 27, July 2019): This policy brief examined APEC’s progress in implementing Article 12 of the WTO Trade Facilitation Agreement that contains measures on customs cooperation. Results from a survey conducted by the Sub-Committee on Customs Procedures were included to supplement the analysis. The Vice Ministry of Trade of Chile was a co-author.
- (4) ISDS as an Instrument for Investment Promotion and Facilitation (No. 28, October 2019): Co-authored with the International Institute for Sustainable Development in Canada, this policy brief examined investor-state dispute settlement (ISDS) as an instrument of investment protection and promotion. It also discussed the current ISDS reform process and the way forward.

C. StatsAPEC

Initiated by the PSU in 2010, StatsAPEC (statistics.apec.org) is APEC's first statistics portal with data dating back to APEC's inception in 1989. It consists of two databases, Key Indicators and Bilateral Linkages, with data drawn from over 30 data providers. The PSU updated the portal in June and December, so it now contains 2018 data for most indicators and APEC economies. There are plans to refresh the portal in the coming year.

D. APEC in Charts

APEC in Charts has been one of the well-received products of the PSU since its launch in 2013. The publication depicts the economic, trade, investment and policy-related performance of the APEC region in the form of charts. This year's issue, marking 30 years of APEC, was published during the Concluding Senior Officials' Meeting in December. The next issue will be published in November 2020.

E. Renewed APEC Agenda for Structural Reform (RAASR) Sub-Fund Assessment Group

A role it assumed since 2017, the PSU continues to provide advice and feedback on concept notes, as part of the assessment group for the RAASR Sub-Fund.

F. Support to APEC Services Competitiveness Roadmap (ASCR)

As tasked under the Implementation Plan of ASCR, the PSU has been supporting the Group on Services (GOS) in monitoring the progress of the Roadmap. This year, the PSU participated in two meetings convened by the Technical Group on Measuring the Regulatory Environment of Services Trade in APEC Region (Santiago, February 2019 and Puerto Varas, August 2019). The PSU also participated as a speaker in a GOS workshop relating to the implementation of the APEC index pilot program (Ha Noi, July 2019).

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/her delegate). The Vice-Chair is the Senior Official (represented by his/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 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 2019 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 assist in research, project management and supervision of staff. With respect to financial management, accounting services are outsourced and the PSU Director and Administrative Executive are responsible for financial management.

CONTRIBUTIONS IN 2019

The PSU received financial and in-kind contributions from the following APEC economies in 2019:

Financial contributions:

- Australia: AUD 550,000
- Chile: USD 30,000
- Hong Kong, China: USD 200,000
- Japan: USD 100,000, SGD 375,000 and JPY 10.8 million
- Korea: USD 305,600
- New Zealand: NZD 130,000
- The Philippines: PHP 1.15 million
- Chinese Taipei: USD 50,000
- United States: USD 400,000

In-kind contributions:

- Singapore: office space

FINANCIAL STATEMENTS 2019

As required by the PSU Governance Arrangements, the audited financial statements are as follows.

APEC POLICY SUPPORT UNIT (PSU)

ANNUAL REPORT

31 DECEMBER 2019

UNITY ADVANCE LLP
Chartered Accountants
Singapore

**APEC POLICY SUPPORT UNIT
ASIA–PACIFIC ECONOMIC COOPERATION SECRETARIAT**

CORPORATE DATA

Director	Dr. Hew Wei Yen (Denis Hew)
Registered office	35 Heng Mui Keng Terrace Singapore 119616
Banker	DBS Bank Limited
Auditor	UNITY ADVANCE LLP

INDEX	Page
Statement by the Director.....	1
Auditor's report.....	2
Statement of financial position	5
Statement of comprehensive income.....	6
Statement of cash flows	7
Notes to the financial statements.....	8

APEC POLICY SUPPORT UNIT**STATEMENT BY THE DIRECTOR**

In our opinion, the accompanying financial statements set out on pages 5 to 23 with the notes thereon, are drawn up in accordance with the Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the PSU as at 31 December 2019 and the statement of comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

The Sole Director



Dr. Hew Wei Yen (Denis Hew)
Director

Singapore, 10 MAR 2020

UNITY ADVANCE LLP

Chartered Accountants of Singapore

15 Enggor Street
#10-01 Realty Centre
Singapore 079716

Telephone : 63251638
Fax : 62272339
Email : admin@yctan.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of APEC POLICY SUPPORT UNIT (the "PSU"), as at 31 December 2019, as set out on pages 5 to 23 which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the PSU as at 31 December 2019 and of the financial performance 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 Those charged with Governance 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.

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Responsibilities of Management and Director for the Financial Statements (continued)

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.

Those charged with governance are responsible for overseeing the PSU's financial reporting process.

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 the 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.

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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

- 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.

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.


UNITY ADVANCE LLP
Public Accountants and
Chartered Accountants

Singapore, 10 MAR 2020

APEC POLICY SUPPORT UNIT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 \$	2018 \$
ASSETS			
Plant and equipment	3	23,598	7,508
Current assets			
Contribution receivable	4	40,068	-
Other receivables	5	73,864	70,873
Fixed deposits	6	7,853,038	7,740,575
Cash and bank balances		2,225,458	2,303,502
		10,192,428	10,114,950
Total assets		<u>10,216,026</u>	<u>10,122,458</u>
LIABILITIES			
Current liabilities			
Other payables	7	65,727	99,112
		65,727	99,112
Net assets		<u>10,150,299</u>	<u>10,023,346</u>
Represented by:			
Accumulated fund	8	<u>10,150,299</u>	<u>10,023,346</u>

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

APEC POLICY SUPPORT UNIT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Revenue	9	2,624,782	2,550,588
Other income	10	162,016	218,780
Administrative expenditure	11	(2,659,845)	(2,584,812)
Surplus for the year		<u>126,953</u>	<u>184,556</u>

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

APEC POLICY SUPPORT UNIT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Surplus for the year		126,953	184,556
Adjustments for:			
Depreciation of plant and equipment		12,116	15,250
Fixed deposit interest		(161,746)	(109,659)
		<u>(22,677)</u>	<u>90,147</u>
Change in working capital			
Increase in :-			
Contribution receivable		(40,068)	-
Other receivables		(2,991)	(42,835)
(Decrease) / increase in :-			
Other payables		(33,385)	17,419
		<u>(76,444)</u>	<u>(25,416)</u>
Net cash (used in) / from operating activities		<u>(99,121)</u>	<u>64,731</u>
Cash flows from investing activities			
Purchase of plant and equipment		(28,206)	(3,256)
Fixed deposit interest		161,746	109,659
Net cash flows from investing activities		<u>133,540</u>	<u>106,403</u>
Cash flows from financing activities			
		-	-
Net increase in cash and cash equivalents		<u>34,419</u>	<u>171,134</u>
Cash and cash equivalent at beginning of year		<u>10,044,077</u>	<u>9,872,943</u>
Cash and cash equivalent at end of year	12	<u><u>10,078,496</u></u>	<u><u>10,044,077</u></u>

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

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

1 General

The financial statements are expressed in Singapore dollars.

The principal activities of the APEC Policy Support Unit (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.

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

The APEC Policy Support Unit (PSU) become active in August 2008 as a new function within the 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 APEC PSU Governance Arrangements.

2 Significant Accounting Policies

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards ("FRS").

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 2.1.

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 2019. Except for the adoption of FRS 109 Financial Instruments and FRS 115 Revenue from Contracts with Customers described below, the adoption of these standards did not have any material effect on the financial performance or position of the PSU.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant Accounting Policies (continued)

FRS / INT FRS issued but not effective

Certain new accounting standards and interpretations have been published that are mandatory for accounting years beginning on or after 1 January 2020.

The Company does not expect that adoption of these accounting standards and interpretations will have a material impact on the company's financial statements in the year of initial application.

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 income and expenditure when the changes arise.

Subsequent expenditure relating to plant and equipment that has already been recognized 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 expense is recognised in the profit or loss when incurred.

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****2 Significant Accounting Policies (continued)****Financial instruments**Financial assetsInitial 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 is measured at the amount of consideration to which the PSU expects to be entitled in exchange for transferring promised goods or services to a customer, 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 debt instruments are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL. The PSU only has debt instruments at amortised cost.

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 debt instruments is recognised in profit or loss.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant Accounting Policies (continued)

Financial instruments (continued)

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.

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.

Impairment of financial assets

The PSU recognises an allowance for expected credit losses (ECLs) for all debt instruments 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 contribution receivable, 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.

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 is written off when there is no reasonable expectation of recovering the contractual cash flows.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant Accounting Policies (continued)

Impairment of non-financial assets

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 Company 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 reversal is recognised in profit or loss.

Employee benefits

Defined contribution plans

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

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 reporting date.

Income Tax

The PSU, as a special unit within the APEC 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.

Operating lease

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant Accounting Policies (continued)

Foreign currency translation

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 Company's functional and presentation currency.

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. Currency gains or losses resulting from the settlement of such transactions and from the year-end exchange rates of monetary assets and liabilities are denominated in foreign currencies are recognised in the profit or loss.

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.

Revenue recognition

Revenue is measured based on the consideration to which the PSU expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the PSU satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Contribution from member economies

The PSU is funded by voluntary contributions and overseen by a governance board. Contribution from member economies are recognised on a cash receipt basis.

(b) Interest income

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

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2 Significant Accounting Policies (continued)**2.1 Significant accounting judgments 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.

(a) Judgements made in applying accounting policies

Management is of the opinion that there are no significant judgements made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The PSU based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the PSU. Such changes are reflected in the assumptions when they occur.

Expected credit loss

The PSU did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant. Entity is expected to provide more detailed information if the forward-looking information has a significant impact in the calculation of ECL.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3 Plant and Equipment

	Computer \$	Furniture and fittings \$	Office equipment \$	Software \$	Total \$
At cost					
At 1.1.2018	56,417	15,172	10,479	9,426	91,494
Additions	3,256	-	-	-	3,256
Written off	(2,110)	-	-	-	(2,110)
At 31.12.2018	57,563	15,172	10,479	9,426	92,640
Additions	27,636	570	-	-	28,206
Disposal	-	-	-	-	-
At 31.12.2019	85,199	15,742	10,479	9,426	120,846
Accumulated depreciation					
At 1.1.2018	38,435	14,354	10,176	9,027	71,992
Charge for the year	14,008	715	128	399	15,250
Written off	(2,110)	-	-	-	(2,110)
At 31.12.2018	50,333	15,069	10,304	9,426	85,132
Charge for the year	11,850	167	99	-	12,116
Disposal	-	-	-	-	-
At 31.12.2019	62,183	15,236	10,403	9,426	97,248
Net book value					
As at 31.12.2019	23,016	506	76	-	23,598
As at 31.12.2018	7,230	103	175	-	7,508

4 Contribution Receivable

	2019 \$	2018 \$
Member economy	40,068	-

Contribution receivable is non-interest bearing and is generally cash receipt basis.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4 **Contribution Receivable (continued)**

The aging analysis of contribution receivable is as follows:

	2019 \$	2018 \$
30 to 60 days	40,068	-

5 **Other Receivables**

	2019 \$	2018 \$
Prepayments	14,588	12,930
GST recoverable	6,368	821
Interest receivable	52,846	57,122
Other receivables	62	
	<u>73,864</u>	<u>70,873</u>

6 **Fixed Deposits**

Fixed deposits are placed with financial institutions and earn interest at the rates ranging from 1.38% to 2.6% per annum (2018: 0.40% to 2.67% The fixed deposits are on auto rollover and have maturity terms of 183 days to 267 days (2018: 112 days to 273 days days) from reporting date.

7 **Other Payables**

	2019 \$	2018 \$
Accrued operating expenses	65,727	99,112

8 **Accumulated Fund**

	2019 \$	2018 \$
Movement in accumulated fund:		
At beginning of year	10,023,346	9,838,790
Surplus for the financial year	126,953	184,556
At end of year	<u>10,150,299</u>	<u>10,023,346</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9 Revenue

Contribution from member economies:

	2019	2018
	\$	\$
Australia	511,100	550,395
Chile	40,068	-
Hong Kong, China	269,622	-
Japan	640,059	752,235
Korea	415,948	473,375
New Zealand	116,360	121,033
The Philippines	30,605	28,935
Singapore	-	16,000
Chinese Taipei	66,780	67,615
United States	534,240	541,000
	<u>2,624,782</u>	<u>2,550,588</u>

10 Other Income

	2019	2018
	\$	\$
Foreign exchange gain	-	109,104
Fixed deposit interest	161,746	109,659
Others	270	17
	<u>162,016</u>	<u>218,780</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11 Administrative Expenditure

	2019	2018
	\$	\$
Accountancy fee	5,400	4,800
Advertisement	-	1,506
Audit fee	3,800	3,800
Bank charges	1,026	1,196
Consultants and research fee	250,190	283,210
CPF and SDL	69,377	70,736
Data subscription	623	835
Depreciation of plant & equipment	12,116	15,250
Foreign currency exchanges loss	53,552	-
Function expenses	624	326
FWL	7,800	7,800
General expenses	15,293	23,809
Insurance	24,569	26,383
Medical fee	4,485	3,739
Newspaper and periodical	3,298	2,662
Office and building maintenance	39,181	41,352
Placement fee	-	823
Printing and stationery	16,489	12,751
Professional fee	7,070	2,895
Postage and courier	289	648
Rental - office equipment	1,680	1,695
Staff salaries and bonuses	1,570,180	1,593,420
Staff welfare	222,597	248,096
Telecommunication	5,008	5,260
Transportation	1,808	2,766
Travelling expenses	340,063	229,054
Utilities	3,327	-
	<u>2,659,845</u>	<u>2,584,812</u>

12 Cash and Cash Equivalents

	2019	2018
	\$	\$
Bank balances	2,225,458	2,303,502
Fixed deposits	7,853,038	7,740,575
	<u>10,078,496</u>	<u>10,044,077</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13 Leases

The PSU also has certain lease of equipment with lease of office equipment with low value. The PSU applies the 'lease of low-value asset' recognition exemptions for this lease.

Amount recognised in statement of comprehensive income as follow:

	2019 \$
Lease expense not capitalised in lease liability:	
- Expense relating to lease of low-value asset	1,680
	<u>1,680</u>

14 Operating Lease Commitment

As at the end of the financial year, the commitment under operating lease for office equipment, but is not recognised as liability is as follows:

	2019 \$	2018 \$
Payable within 1 year	1,680	1,680
Payable after 1 year	3,780	5,460
	<u>5,460</u>	<u>7,140</u>

15 Financial Risk Management

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

The Board of Director reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. 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.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15 **Financial Risk Management (continued)****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 has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The PSU performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the PSU's performance to developments affecting a particular industry.

Exposure to credit risk

The PSU has no significant concentration of credit risk. The PSU has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Financial assets that are neither past due nor impaired

Contribution receivable and other receivables that are neither past due nor impaired are with creditworthy receivables with good payment record with the PSU. Cash and cash equivalents are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 4.

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.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15 Financial Risk Management (continued)

Liquidity Risk (continued)

Analysis of financial instruments by remaining contractual maturities

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

As at 31.12.2019	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
Financial assets				
Contribution receivable	40,068	40,068	40,068	-
Other receivables	59,276	59,276	59,276	-
Fixed deposits	7,853,038	7,853,038	7,853,038	-
Cash and bank balances	2,225,458	2,225,458	2,225,458	-
	<u>10,177,840</u>	<u>10,177,840</u>	<u>10,177,840</u>	<u>-</u>
Financial liabilities				
Other payables	65,727	65,727	65,727	-
	<u>65,727</u>	<u>65,727</u>	<u>65,727</u>	<u>-</u>
Total net undiscounted financial assets	<u>10,112,113</u>	<u>10,112,113</u>	<u>10,112,113</u>	<u>-</u>
As at 31.12.2018	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
Financial assets				
Other receivables	57,943	57,943	57,943	-
Fixed deposits	7,740,575	7,740,575	7,740,575	-
Cash and bank balances	2,303,502	2,303,502	2,303,502	-
	<u>10,102,020</u>	<u>10,102,020</u>	<u>10,102,020</u>	<u>-</u>
Financial liabilities				
Other payables	99,112	99,112	99,112	-
	<u>99,112</u>	<u>99,112</u>	<u>99,112</u>	<u>-</u>
Total net undiscounted financial assets	<u>10,002,908</u>	<u>10,002,908</u>	<u>10,002,908</u>	<u>-</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15 **Financial Risk Management (continued)****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.

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 .The interest rates of the PSU is disclosed in the notes to the financial statements.

	2019	2018
	\$	\$
Financial assets		
Fixed deposits	7,853,038	7,740,575

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing financial instruments at the end of the reporting date. A 1% increase or decrease is used for the possible change in interest rates

If the interest rates had been 1% higher and all other variables were held constant, the PSU's surplus would increase, or deficit would decrease, by the amounts shown below:

	2019	2018
	\$	\$
Effect on surplus or deficit	78,530	77,405

If the interest rates had been 1% lower and all other variables were held constant, the above would have a vice versa effect.

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 to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

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.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15 **Financial Risk Management (continued)****Foreign currency risk (continued)**

	2019 \$	2018 \$
Financial assets		
Other receivables	40,960	44,644
Cash and cash equivalents	5,690,648	5,959,670
	<u>5,731,608</u>	<u>6,004,314</u>
Currency exposure	<u>5,731,608</u>	<u>6,004,314</u>

A 5% strengthening of Singapore dollar against the foreign currency denominated balances as at the reporting date would decrease surplus, or increase deficit, by the amounts shown below. This analysis assumes that all other variables remain constant.

	Effect on surplus or deficit	
	2019 \$	2018 \$
Financial assets	<u>286,580</u>	<u>300,216</u>

A 5% 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.

16 **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.

Cash and cash equivalents, fixed deposits, other receivables and other payables

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

17 **Authorisation for issue of Financial Statements**

The financial statements for the financial year ended 31 December 2019 were authorised for issue by PSU Director on **10 MAR 2020**.

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. 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 OBJECTIVES

Vision: Recognized as an integral part of the APEC architecture and 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: PSU is the policy research and analysis arm of APEC comprising openly recruited professionals working together with APEC Senior Officials and APEC fora, in improving the quality of their deliberations and decisions and promoting policies that support the achievement of APEC's goals, by providing objective and high quality research, analytical capacity and policy support capability.

Objectives: (1) Provide high-value policy research and analysis (actions - maintain quality and increase utility of the PSU products); (2) Raise profile as research and analysis arm of APEC (actions - disseminate the PSU products, and engage and foster existing and new partnerships); and (3) Ensure sustainability and enable future growth (actions - secure financial sustainability of the PSU, ensure appropriate staffing levels and mix in the PSU, and enhance research and analytical capability of the PSU).

RESEARCH AGENDA

The PSU pursues a policy research and analysis agenda that was developed for the first strategic plan (2013-2017). Over the years, the PSU has built a strong body of knowledge in the five core areas under the agenda, namely: (1) trade and investment liberalization and facilitation; (2) structural reform; (3) connectivity including supply chain connectivity and global supply chains; (4) economic and financial analysis; and (5) sustainable economic development. The PSU recognizes that the agenda is not static as new goals and priorities could emerge in response to changes in the environment. Some of the current work include:

- assessing progress toward free and open trade and investment, and in quality growth, structural reform and connectivity;
- studying issues on trade-related aspects of e-commerce, SMEs and inclusive policies;
- examining selected chapters in RTA/FTAs concluded by APEC economies;
- examining recent economic, trade and investment measures undertaken by APEC economies, and analyzing the performance of APEC economies and the region; and
- maintaining databases on economic, social and environmental indicators, and on trade and investment flows for APEC economies.

PSU BOARD MEMBERS

Ms Marcela González, Chile	PSU Board Chair (current Host Economy)	
Ms Asmidar Abdul Rahman, Malaysia	PSU Board Vice-Chair (next Host Economy)	
Ms Julie Wapo, Papua New Guinea	Immediate Past Host Economy: Representative	
Mr Simon Newnham; and Ms Tracey Bajenoff, Australia	Contributing Economies: SOM and/or their representatives	
Ms Helen Kwan; and Ms Joanie Fok, Hong Kong, China		
Mr Yasuhiko Yoshida (January-June) and Ms Kyoko Kashiwabara (July-December); and Mr Haruyuki Yada (January-June) and Mr Takuya Takeda (July-December), Japan		
Mr Yun Kang-hyeon; and Ms Hara Jang, Korea		
Mr Mark Talbot; and Ms Alice Bourke, New Zealand		
Ms Lourdes O. Yparraguirre; and Mr Oliver Cutamora Delfin, the Philippines		
Ms Chin Siew Fei, Singapore		
Mr Loong-Jin Chen, Chinese Taipei		
Mr Matthew J. Matthews (January-April) and Ms Sandra Oudkirk (May-December); and Ms Emily Fischer, USA		
Dr Rebecca Fatima Sta Maria		APEC Secretariat Executive Director
Dr Denis Hew		APEC PSU Director
Mr Justin Allen	CTI Chair	
Mr Robert Logie (January-August), and Mr James Ding (September-December)	EC Chair	
Mr Francisco Moreno	SFOM Chair	

PSU STAFF MEMBERS

Dr Denis Hew Wei Yen	PSU Director
Ms Chang Hui Ling	Administrative Executive
Ms Esther Neelavani d/o Magalingam	Administrative Assistant
Ms Aveline Low Bee Hui	Policy Advisor
Mr Carlos Kuriyama	Senior Analyst
Dr Akhmad Bayhaqi	Senior Analyst
Mr Emmanuel A. San Andres	Analyst
Mr Andre Wirjo	Analyst
Ms Rhea Crisologo Hernando	Researcher
Ms Divya Sangaraju	Researcher
Ms Satvinderjit Kaur	Researcher
Ms Crystal Liu Jiquan	Researcher
Mr Jason Carlo Ong Carranceja	Researcher

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