



**Asia-Pacific
Economic Cooperation**

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

Annual Report 2015

APEC Policy Support Unit
April 2016

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#216-SE-01.2



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 paper 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 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 2015.

Denis Hew
Director
APEC Policy Support Unit

TABLE OF CONTENTS

Projects and Activities.....	1–10
Overview of Projects and Activities.....	1
Completed Projects in 2015.....	3
Current Projects – Discrete.....	9
Current Projects – Ongoing.....	10
Management and Accountability.....	12
Role and Structure.....	12
Key Responsibilities.....	12
Contributions in 2015.....	12
Financial Statements 2015.....	13-30
About the PSU.....	31-33
Establishment.....	31
Vision, Mission and Objectives.....	31
Research Agenda.....	31
PSU Board Members.....	32
PSU Staff Members.....	33

PROJECTS AND ACTIVITIES

OVERVIEW OF PROJECTS AND ACTIVITIES

One key task of the PSU is to evaluate progress in the implementation of policy measures and this year alone, a number of such evaluations was undertaken. They comprised of the final assessment on the APEC Leaders' Growth Strategy and the APEC New Strategy for Structural Reform (ANSSR); and the interim assessment on the Ease of Doing Business (EoDB) initiative. Outcomes emanating from these assessments provided valuable underpinnings to key policy documents APEC Leaders and Ministers adopted in 2015, namely the APEC Strategy for Strengthening Quality Growth; Renewed APEC Agenda for Structural Reform (RAASR); and the Second EoDB Action Plan 2016-2018.

APEC Leaders also adopted the APEC Services Cooperation Framework, an endeavour supported by the PSU through a study evaluating APEC's work on services and proposing baseline measures and relevant indicators for services trade in the region. Other deliverables for the year included:

- For SOM, an update on the APEC's Bogor Goals dashboards.
- For EC, case studies examining the role of regulatory reforms in improving the business environment for SMEs.
- For CTI, a comprehensive study compiling 22 case studies on manufacturing-related services in global value chains; studies on i) linkages between services and manufacturing and manufacturing productivity, ii) trends and developments in provisions and outcomes of RTA/FTAs implemented by APEC economies in 2014, and iii) potential of 157-nominated products to contribute to sustainable and inclusive growth through rural development and poverty alleviation; a report synthesizing the findings from an earlier study on value chain resilience; and an update on the Investment Facilitation Action Plan (IFAP) progress.
- For PPWE, the first APEC women and the economy dashboard.
- For SME Working Group, a review on SMEs' internationalization and its measurement, and an examination of the role of SMEs in economic growth and the effect of competition law on that role.
- Biannual reports on APEC Economic Trends Analysis, with themes reflecting the current economic outlook.
- Biannual reports on Key Trends and Developments Relating to Trade and Investment Measures and their Impact on the APEC Region, examining topics on "Do FTAs matter for trade?" and "Trade, inclusive growth, and the role of policy".
- Annual issue of APEC in Charts.

Apart from the above, the PSU also initiated other work, namely:

- In conjunction with the Structural Reform Ministers Meeting, a policy brief examining what drives GDP growth and what should be done to achieve resilient and inclusive growth in the APEC region.
- Catering to the increasing interest, a guidebook on trade and supply chain finance.

The PSU made new headways with two reports this year: first, World Scientific Publishing will be publishing the report on "Services in Global Value Chains: Manufacturing-Related Services"; and second, the International Finance Corporation (IFC) will be translating the "Guidebook on Trade and Supply Chain Finance" into Chinese for training and knowledge dissemination purposes.

In terms of engaging and collaborating with other international organizations, the PSU took a leap this year by signing an agreement with the Pacific Economic Cooperation Council (PECC) to strengthen research collaboration. The PSU also forged closer collaboration with the Singapore APEC Study Centre through co-authoring a book chapter. The PSU continued to engage closely with the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and the World Bank, among others.

In communicating its work, besides relying on the electronic publications which most PSU reports were available in and a few printed publications, the PSU tapped on the social media platforms of the APEC Secretariat to get the word out to a wider audience. The PSU also pushed electronic news alerts to its mailing list each time a new publication was published. Media-wise, the PSU benefited greatly from the support of the Secretariat which contributed to a number of news releases, press briefings, and a media interview on Channel NewsAsia. Staff of the PSU were also active participants in both in both APEC and non-APEC events.

For the third consecutive year, the annual survey exercise revealed positive feedback on the PSU's work. Apart from accomplishing what it had set out to do in 2014, survey respondents rated the work to be of good quality and useful and reported using them for various purposes. Respondents also continued to value the PSU's contribution. This was similarly echoed by the APEC Ministers, who during their annual meeting in 2015, commended the PSU for its contributions to APEC's work stream and support to the APEC 2015 priorities. Pushing the envelope further, the PSU surveyed for the first time external stakeholders which yielded favorable results albeit low returns.

The PSU is constantly grateful for the unwavering support and guidance from APEC member economies, in particular members of the PSU Board, without which the PSU will not have been able to progress so far. The PSU appreciates the generous contributions from member economies which have been pivotal to the continued operations of the PSU. These economies are, namely: Australia; China; Japan; Korea; New Zealand; Singapore; Chinese Taipei; and the United States. Appreciation also goes to APEC Ministers, Senior Officials and fora for their continued faith in the PSU.

Looking ahead, 2017 will be when the PSU five-year strategic plan concludes and the mid-term review of the PSU will take place. The PSU looks forward to working closely with the Board and member economies in charting the future direction of the PSU.

COMPLETED PROJECTS IN 2015

For Senior Officials (SOM)

A. Assessment of the APEC Leaders' Growth Strategy

The assessment of the APEC Leaders' Growth Strategy was undertaken by the PSU in response to APEC Leaders' mandate in 2010 to review the progress of APEC economies in implementing or promoting this strategy. The assessment was carried out based on information provided by APEC committees and sub-fora as well as external indicators from international organizations.

The assessment report discussed the nature of the Growth Strategy; challenges involved in assessing the progress; existing links between this strategy and other APEC initiatives; and the work reported by APEC committees and sub-fora relating to the implementation of this strategy. The report also had specific sections on the five growth attributes identified in the Growth Strategy, namely: 1) balanced; 2) inclusive; 3) sustainable (green); 4) innovative; and 5) secure growth. Additionally, the report proposed recommendations for work on post-2015 Growth Strategy. The assessment fed into the APEC Strategy for Strengthening Quality Growth which APEC Leaders adopted in Manila in November 2015.

B. Report on APEC Work on Services and Baseline Indicators

The PSU was entrusted by the 2015 Chair of Senior Officials' Meeting (SOM) to conduct a study evaluating APEC's work on services and to propose baseline measures and relevant indicators for services trade in the region. A report was produced, assessing services-related projects and programs across relevant APEC committees and working groups and reflecting on how to improve the governance of services work in APEC. The report also proposed various services trade indicators, and provided recommendations relating to the governance structure of services in APEC and towards improving services trade indicators. A database on the baseline indicators and measures was produced alongside with the report. The findings from the study provided underpinnings to the APEC Services Cooperation Framework (ASCF) which APEC Leaders consequently endorsed in Manila in November 2015.

C. APEC's Bogor Goals Dashboard 2015

Compiled for SOM and CTI, the Dashboard provided updated figures on the indicators included in the APEC's Bogor Goals dashboards that were presented to Senior Officials in 2014. The dashboard provided easy-to-understand figures to track the advances in areas critical to promoting greater regional economic integration such as liberalization and facilitation of trade and investment.

For Committee on Trade and Investment (CTI)

D. Services in Global Value Chains: Manufacturing-Related Services

With manufacturing-related services in value chains endorsed as a 'next generation trade and investment issue' in 2014, the PSU was tasked by the CTI to study the increasing importance of services in global trade. Through face-to-face interviews, the study collected various experiences relating to services in different value chain configurations as well as some policy restrictions that affect these services and the companies' businesses in general. Case studies involving 22 firms based in different APEC economies were compiled.

In addition to discussing the evolving role of services in the global economy, the report drew from the case studies some of the ways services are important both in terms of the value they add and also as a vehicle for new opportunities to deepen participation in supply chains/value chains at the economy level. The report also included an analysis of how policies have

affected the configuration, operation and location of value chains, with particular reference to the contribution of services. The outcomes from the study were considered during the development of the Manufacturing Related Services Action Plan which APEC Ministers endorsed in Manila in November 2015.

The report will be published as a book by World Scientific Publishing, an independent publisher of academic and professional books and journals.

E. Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2014 by APEC Economies

This report contributed to the APEC Information Sharing Mechanism on RTA/FTAs, a CTI initiative to enhance transparency among the trade agreements. The role proposed for the PSU under this mechanism was to carry out research on the trends and developments in RTA/FTA provisions and outcomes.

The first report produced analyzed the evolution of the number of RTA/FTAs signed and enforced by APEC economies in the past two decades and researched on the general structure of the six RTA/FTAs which came into force in 2014. The six agreements involved: 1) Australia-Korea; 2) Canada-Honduras; 3) Chile-Hong Kong, China; 4) China-Iceland; 5) China-Switzerland; and 6) Singapore-Chinese Taipei. The report looked at specific topics in these RTA/FTAs and examined provisions in selected chapters to identify possible common patterns or recent trends. Where possible, the report compared those provisions with the APEC RTA/FTA model measures endorsed in 2008 and examined the WTO-plus commitments included in those agreements. Apart from the CTI, the report was presented at the SOM Dialogue on RTAs/FTAs which took place in Cebu on 2 September 2015.

F. Study on Promoting Products Which Contribute to Sustainable and Inclusive Growth through Rural Development and Poverty Alleviation

The CTI, responding to APEC Ministers' call in 2013, requested the PSU to undertake a study to analyze the linkages between trade in certain products and the promotion of rural development and poverty alleviation as a way to contribute to sustainable and inclusive growth. The findings revealed that the list of 157 products nominated by APEC members is relevant from both the trade and tariff perspectives. They also revealed that many of the nominated products have trade potential in world markets and enjoy comparative advantages. However, the study showed that trade liberalization is not enough to improve rural development and alleviate poverty since trade and rural development are linked through a myriad of other factors, such as access to basic infrastructure, human resources training, and access to credit. The study was presented to CTI and at a trade policy dialogue in Manila on 28 August 2015.

G. Value Chain Resilience in the Asia Pacific: A Synthesis Report

The PSU conducted four studies at the CTI's request in 2014 to deepen understanding and increase awareness of the emerging systemic risks and value chain resilience by evaluating three elements of resilience—value chain risks, strength and connectedness—quantitatively and estimating their impact on the APEC region's trade and investment. Four reports, one from each study, were published. The synthesis report was prepared to summarize the main findings of those studies, the policy implications and the way forward.

For Economic Committee (EC)

H. Assessing the APEC New Strategy for Structural Reform (ANSSR) and Advancing the APEC Structural Reform Agenda Beyond 2015

With ANSSR ending in 2015, the PSU was tasked by the EC to assess the progress made by APEC economies in structural reform since 2010 and the impact of those reforms on economic growth and regional economic integration. The aim was to provide inputs in the deliberation on how to take forward the structural reform agenda, and to provide policy recommendations on the APEC structural reform agenda beyond 2015.

The assessment from members' reporting showed that considerable efforts were devoted to ANSSR. While the efforts were evident, the progress made was more difficult to identify. In addition, similar structural reform agendas were already running within economies and in other fora so that the value added by ANSSR was not easy to distil. Recommendations for the next cycle of structural reform were also provided in the assessment report which was presented at both the EC plenary meeting and the Structural Reform Ministerial Meeting in Cebu, Philippines in September 2015. The assessment results fed into the new strategy adopted by APEC Ministers – Renewed APEC Agenda for Structural Reform (2016-2020).

I. APEC's Ease of Doing Business – Interim Assessment 2009-2014

Endorsed in 2009 by APEC Leaders, the Ease of Doing Business (EoDB) initiative aims to improve APEC's performance by 25% in five key areas of doing business by 2015. The areas are, namely: 1) starting a business; 2) dealing with construction permits; 3) getting credit; 4) trading across borders; and 5) enforcing contracts. The interim target was 5% improvement by 2011, with an increase in 5 percent points every year from 2012 to 2015.

The interim assessment revealed that during the period 2009-2014, APEC's combined improvement across the five areas was equal to 12.7%, below the 2014 pro-rata benchmark of 20%. A comparison of APEC's overall progress with the pro-rata benchmarks across time showed that APEC was not keeping pace to achieve the target by 2015. Notwithstanding, APEC's progress vis-à-vis that of the rest of the world was remarkable. To continue making progress, APEC economies will need to intensify their efforts in implementing reforms and APEC to continue with capacity building activities. In view that capacity building has been very useful to APEC economies, there is value for APEC to continue discussion on extending the initiative beyond 2015. Consequently, APEC Leaders agreed on a new aspirational goal of a 10 percent improvement by 2018 in the existing five key areas and the APEC EoDB Action Plan, 2016-2018.

J. Regulatory Reform – Case Studies on Improving the Business Environment for Small and Medium Enterprises (SMEs)

The PSU undertook this project with the Economic Committee (EC) Friends of the Chair on Regulatory Reform, aiming to draw lessons and suggest policy recommendations based on previous experiences of implementing regulatory reforms to improve the business environment for SMEs. Four case studies were gathered focusing on: 1) dedicated agencies to assist SMEs with growth, development, compliance and internationalization; 2) agencies and institutions that specialize in supporting SME finance; 3) regulatory tiering; and 4) SME-friendly regulatory impact assessments.

Among the key findings to improve the business environment for SMEs were to include aspects of rule-making and institution design; to involve SMEs in the reform process; and for the public and private sectors work together in promoting regulatory reforms. These findings were congruent with the APEC Good Practices on Regulatory Reform, serving thus as examples where the Good Practices have been implemented in developing and developed economies across the region.

K. Guidebook on Trade and Supply Chain Finance

This report was a byproduct of the 2014 study on regulatory issues affecting trade and supply chain finance (Issues Paper No. 8). With the increasing interest in supply chain finance within APEC, the PSU published this Guidebook containing information which otherwise would have remained as background research to the 2014 study.

The Guidebook described typical supply chains and which stages need financing and how they are financed. It also discussed risks in the supply chains and various mitigation mechanisms whose availability and use depend on the presence of proper regulatory and legal infrastructures as well as the confidence of the market in them. It talked about financial instruments such as warehouse receipts financing, invoice finance, receivables finance, factoring and forfaiting. Case studies of what had gone wrong in particular actual transactions were presented as examples and provided important insights on regulatory or institutional deficits that need to be bridged.

The International Finance Corporation (IFC), a member of the World Bank Group, will be translating the Guidebook into Chinese for a book on supply chain finance in China for training and knowledge dissemination purposes.

For Investment Experts' Group (IEG)

L. IFAP Implementation in Facilitating Investment for the Asia Pacific Region: 2014 Update

This project was undertaken at the request of the IEG to update the 2013 project which reviewed APEC's progress in implementing the Investment Facilitation Action Plan (IFAP). The update was based on reporting by the five remaining member economies who were not part of the 2013 assessment. The results showed that the five economies have made substantial progress in implementing the IFAP principles. The analysis on each IFAP principle was complemented with information on international best practice and benchmarking drawn from secondary sources.

For Policy Partnership of Women and the Economy (PPWE)

M. The APEC Women and the Economy Dashboard 2015

A PPWE initiative, the APEC Women and the Economy Dashboard provides a snapshot of the status of women in APEC by looking at a set of indicators in recent years, which allows measurement of the progress of women's participation in economic-related activities and women's inclusion in several aspects of life. The Dashboard comprised of almost 80 indicators, classified in five areas: 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.

As tasked, the PSU produced 22 dashboards, one for each of the 21 APEC members and another for the APEC region as a whole. Analysis of the information collected indicated that APEC economies have been undertaking efforts to improve the conditions for the participation of women in the economy. It also highlighted the need for APEC to intensify policy efforts in some areas in order to provide equal opportunities for women.

N. Issues Papers

Launched in 2012, the issues paper informs the discussions of APEC committees and fora on emerging "cutting edge" topics of strong policy relevance to APEC, enhances conceptual understanding, and identifies key challenges and priorities.

Two issues papers were published in 2015:

- (1) Services, Manufacturing and Productivity (No. 9, January 2015): This paper contributed to the CTI's work on manufacturing-related services in value chains. It expanded on PSU Policy Brief No. 10 by providing more data to support the strong linkage between services and manufacturing, in particular business services. It also identified regulations that are likely to affect the provision of services negatively. The paper additionally explored the link of services with manufacturing productivity.
- (2) SMEs, Competition Law and Economic Growth (No. 10, September 2015): Co-authored with the Singapore APEC Study Centre at the latter's invitation, this paper discussed the nature and role of SMEs in the APEC region, followed by an examination of the role of SMEs in economic growth and whether competition law has an effect on the SME role in economic growth. The paper also appeared in a book titled "Competition Law, Regulation and SMEs in the Asia Pacific: Understanding the Small Business Perspective" published by the ISEAS-Yusof Ishak Institute.

O. Capacity Building

The PSU, at the invitation of US-ATAARI, has been participating in capacity building programs for future APEC host economies since 2013. This year, the PSU was involved in the preparation and implementation of three such programs, namely:

- (1) APEC Capacity Building Workshop: Preparing for PNG's 2018 Host Year - Economic Committee Issues, Port Moresby, Papua New Guinea, 22-23 April 2015
- (2) APEC 2017 Host Year Capacity Building Workshop: Effective Engagement at the Working Group Level, Ha Noi, Viet Nam, 5-6 August 2015
- (3) APEC 2017 Host Year Capacity Building Workshop: Translating Ideas into Concepts, Ha Noi, 3-4 December 2015

The PSU also participated in other capacity building activities:

- (4) RMIT Australian APEC Study Centre, The First RIAG Meeting and Capacity Building Training Program on Enhancing the Investment Environment in APEC and ASEAN Economies, Melbourne, Australia 2-6 March 2015
- (5) APEC Asia Region Funds Passport (ARFP) Stakeholder Consultation Seminar and Capacity Building Program, Jakarta, Indonesia, 14-15 April 2015

P. Participation in Policy Discussions

The PSU participated in a number of SOM dialogues, trade policy dialogues, public private dialogues (PPD; organized in partnership with ABAC Philippines and PECC), and policy discussions this year, namely:

CTI

- (1) Trade Policy Dialogue on Localization, Cebu, Philippines, 28 August 2015: The PSU made a presentation about the negative impact of local content requirements in trade.
- (2) Trade Policy Dialogue on Development Products, Cebu, Philippines, 28 August 2015: The PSU presented the main results of a study on promoting products for poverty alleviation and rural development.

EC

- (3) Policy Discussion on State of the Regional Economy and Its Policy Implications (EC1 Plenary Meeting), Clark, Philippines, 4-5 February 2015: The PSU, together with the APEC Secretariat and invited speakers from IMF and World Bank, presented on the regional economy and policy implications going forward.
- (4) Policy Discussion on APEC Economic Trends and Outlook (EC2 Plenary Meeting), Cebu, Philippines, 2-3 September 2015: The PSU talked about the latest economic trends and outlook for the APEC region.
- (5) Policy Discussion on Supply Chain Finance (EC2 Plenary Meeting), Cebu, Philippines, 2-3 September 2015: The PSU, together with an invited speaker from the Bankers Association for Finance and Trade, spoke on the topic of supply chain finance.

SOM

- (6) PPD on Information Technology and Business Process Management, Creative Industries, and Research and Development Services, Clark, Philippines, 3 February 2015: The PSU gave an overview of services regimes in APEC.
- (7) PPD on Manufacturing, Agriculture and Environment-related Services, Boracay, Philippines, 17 May 2015: The PSU organized and moderated a session on manufacturing-related services.
- (8) SOM Dialogue on FTA/RTA, Cebu, Philippines, 2 September 2015: The PSU presented the report on trends and developments in provisions of RTA/FTAs put in force in 2014.

Q. Partnership in Events

The PSU was invited to be a partner/co-organizer in the organization of these events:

- (1) ABAC, Asia Pacific Financial Forum and Singapore Business Federation, Workshop on “The Real Economy, Supply Chain and Finance: The Challenges in Working Together and The Way Forward”, Singapore, 28 July 2015
- (2) PECC, Workshop on FTAAP, Manila, Philippines, 12 September 2015

CURRENT PROJECTS - DISCRETE

A. Sustainable Development Partnerships for Cities in the Asia-Pacific Region

Responding to APEC Ministers' directive to continue the study on regional urbanization, the PSU builds on the 2014 report on "Shaping the Future through an Asia-Pacific Partnership for Urbanization and Sustainable City Development" by further developing the nine case studies in the report as well as preparing an additional of up to five case studies. The aim is to provide a stronger case for the development of partnerships to enhance the competitiveness of cities in the region, and to foster the expansion of endogenous economic growth, trade and investment in cities and corridors. The study is expected to be completed in the first quarter of 2016 and presented to the SOM Friends of the Chair on Urbanization.

B. Study on APEC Best Practices on Authorized Economic Operator (AEO) Programs

This study responds to a request from the Sub-Committee on Customs Procedures (SCCP) for the PSU to undertake a study on best practices on AEO programs drawing from APEC members' experiences in implementing the program. The study will support the implementation of the APEC Connectivity Blueprint and the APEC Customs 3M Strategic Framework endorsed by APEC Leaders in 2014. The aim is to assist APEC members in developing, implementing, and upgrading their domestic AEO programs; facilitate the goal of forming a network of AEO MRAs between APEC economies; and provide focus to capacity building efforts. The target is to complete the study in the first quarter of 2016.

C. Study on the Application of Global Data Standards (GDS) for Supply Chain Connectivity

This study follows the APEC Ministers' call in 2014 to further advance the work on GDS including developing pilot projects, conducting a study, and establishing a set of policy-based principles for recommendations for future GDS initiatives. Tasked by the CTI, the PSU will study the cost and benefits of using GDS in the supply chains through the tracking of GDS pilot projects, and map the way forward for future activities on GDS. The study is expected to be completed in the last quarter of 2016.

D. Increasing Tourist Arrivals in the APEC Region: The Links between Tourism and Inclusive Growth

The PSU initiates this study to plug a gap in the current studies on the impacts of tourism by exploring the linkages between tourism and inclusive growth, and analyzing the impacts of various policies such as visa facilitation, infrastructure development, and tax incentives in promoting tourism and comparing their effectiveness in increasing tourism. The study also aims to provide evidence-based recommendations on how to achieve the target of 800 million international tourists in APEC economies by 2025, a target APEC Tourism Ministers announced in 2014. Endorsed by the Tourism Working Group (TWG), the PSU will present the findings to the APEC Tourism Ministers when they convene in Peru in 2016.

E. Other Projects

The PSU has begun preparatory work on a number of projects which will be fully underway in 2016, namely:

- (1) Bogor Goals: Second Mid-Term Assessment
- (2) Supply Chain Connectivity Framework Action Plan (SCFAP): Final Assessment
- (3) Ease of Doing Business: Final Assessment 2009-2015
- (4) Survey of Regulatory Measures in Environmental Services

CURRENT PROJECTS - ONGOING

A. Key Trends and Developments Relating to Trade and Investment Measures and their Impact on the APEC Region

This report started with a commitment made at the 2009 APEC Ministerial Meeting (AMM) to review trade, fiscal and monetary measures undertaken by APEC economies. Two reports were prepared in 2015—for the Ministers Responsible for Trade (MRT) meeting in May and for CSOM and AMM in November. Apart from reporting on trade and investment trends and developments, both reports now featured a theme topic.

Themed “Do FTAs Matter for Trade”, the first report assessed the correlations between APEC members’ FTAs and exports. Preliminary results indicated that despite FTAs being considered as second-best option, FTAs have significant effect on trade. The effect of FTAs, however, depends on the size, and importantly, on the quality of the trade agreement. As for APEC’s trade and investment, the report revealed that export growth among APEC economies in 2014 was relatively robust despite an environment of weak external demand and divergent economic conditions, and FDI inflows into APEC continued to perform strongly with the APEC region remaining as the top destination for FDI.

The second report had a theme on “Trade, Inclusive Growth, and the Role of Policy” where preliminary findings showed that the direct relationship between trade and inclusive growth are far from conclusive, and at times even negative. On the other hand, there is evidence to say that the indirect linkage between trade performance and growth—that is, through GDP growth—is positive and significant. This implied that the positive implications of trade on inclusive growth is not automatic and must be accompanied with other policies that enable inclusive growth. As for trade and investment, the report revealed that trade developments in the APEC region in the first half of 2015 reflected subdued external demand in line with the prolonged weakness in global economic activity, and while the APEC region remained the top destination for FDI, the share of world FDI in 2014 was marginally lower than that recorded in 2013.

The PSU will prepare the next report for the MRT meeting in May 2016.

B. APEC Economic Trends Analysis

The APEC Economic Trends Analysis was started by the PSU in 2012 to provide succinct and timely analysis on recent economic performance of APEC economies and the APEC region. Two reports were prepared in 2015, in May and November, and submitted to Senior Officials and Ministers. Presentations on the reports were made at these meetings: CTI1 and EC1 (February); CTI2 and Policy Partnership on Science, Technology and Innovation (PPSTI) (May); and CTI3 and EC2 (September). The reports were also presented at news conferences (May and November) and Singapore APEC Study Centre seminars (June and December).

Carrying a theme on “Economic Resilience amidst Global Headwinds”, the first report highlighted the resiliency of APEC economies in 2014 amid challenging external conditions. Near-term outlook pointed to higher GDP growth for the APEC region, even as the varying impact of falling oil prices on oil importers and oil exporters was expected to result in diverging growth paths for APEC economies. The report also revealed that the APEC region was poised to record relatively robust growth for the period 2015-2016 driven mainly by domestic demand, thus giving enough room to implement policy reforms that will lead economies towards a more sustainable growth path.

The second report, themed “Growth Softens as Challenges Intensify”, informed that growth was expected to soften in 2015 and recover in 2016. Growth prospects during the period 2015-2016 will be determined by three major factors: 1) persistence of downward trend of oil and non-oil commodity prices; 2) strength of China’s economy and stability of its markets; and 3) normalization of US monetary policy and its attendant risks. Softening of growth prospects

as challenges intensify require a concerted response. The report therefore recommended that in 2015 and beyond, as economies rebalance economic growth towards strengthening domestic demand, they will need to consider implementing an appropriate mix of monetary and fiscal policies together with structural reforms to raise productivity and strengthen private consumption.

The PSU will continue to provide the reports on a biannual basis in 2016.

C. PSU Policy Brief Series

The PSU initiated the Policy Brief series in 2011 with aims to help shape the views of opinion leaders and APEC stakeholders by providing informative analysis of policy issues in a concise manner. Two policy briefs were published in 2015:

- (1) Policy Brief on SME Internationalization and Measurement (No. 12, March 2015): This policy brief examined the different forms of SME internationalization and discussed methods to measure the degree of internationalization of SMEs. It also explored feasible ways for APEC to measure SME internationalization in the region.
- (2) Policy Brief on Structural Reform for Resilient and Inclusive Growth (No. 13, August 2015): This policy brief examined the questions of what drives GDP growth and what should be done to achieve resilient and inclusive growth in the APEC region. The findings suggested that future APEC growth lies in strengthening household consumption through structural reform, and that structural reforms not only contribute to raising productivity, they also help make growth more inclusive.

D. StatsAPEC

StatsAPEC was initiated by the PSU and launched in July 2010 as APEC's first statistics portal with data dating back to APEC's inception in 1989. Using data from over 30 data providers, StatsAPEC consists of the Key Indicators Database and the Bilateral Linkages Database. In 2015, data updates occurred in June and December, with data for 2014 currently available for most indicators and APEC economies.

E. APEC in Charts

The PSU launched APEC in Charts in 2013 to depict the APEC region's economic, trade, investment and policy-related performance through the use of charts. Published once a year, the publication was distributed during the 2015 APEC Economic Leaders' Week.

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 of a Board and staff under the management of the PSU Director. The Board comprises 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. The representative of the next host economy is the Vice-Chair. 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 2014 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 2015

The PSU is very grateful to all contributing economies for their contributions in 2015. The PSU received the following financial contributions in 2015:

- Australia: AUD 400,000
- China: USD 500,000
- Japan: JPY 21,500,000 and SGD 100,000
- Korea: USD 350,000
- New Zealand: NZD 100,000
- Chinese Taipei: USD 100,000
- United States: USD 400,000

The PSU works in office space that is provided by Singapore as an in-kind contribution.

FINANCIAL STATEMENTS 2015

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

APEC POLICY SUPPORT UNIT (PSU)

ANNUAL REPORT

31 DECEMBER 2015

Y C TAN & CO
Chartered Accountants
Singapore

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

GENERAL DATA

Director	Hew Wei Yen (Denis Hew)
Registered office	29 Heng Mui Keng Terrace, #09-01 Singapore 119620
Bankers	DBS Bank Limited
Auditors	Y C Tan & Co

INDEX	Page
Auditor's report.....	1
Statement of financial position	2
Statement of income and expenditure	3
Statement of cash flows	4
Notes to the financial statements.....	5

Y C TAN & CO

Chartered Accountants of Singapore

20 Maxwell Road
#12-06 Maxwell House
Singapore 069113

Telephone : 63251638
Fax : 62224285
Email : tan@yctan.com

陈荣田会计公司
特许会计师

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU)

Report on the Financial Statements

We have audited the accompanying financial statements of APEC POLICY SUPPORT UNIT (the "PSU") as at 31 December 2015 set out on pages 2 to 16, which comprise the statement of financial position, statement of income and expenditure, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PSU Director's Responsibility for the Financial Statements

The PSU Director is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the PSU as at 31 December 2015 and the results, and cash flows of the PSU for the year ended on that date.



Y C TAN & CO
Public Accountants and
Chartered Accountants

Singapore, 14 MAR 2016

APEC POLICY SUPPORT UNIT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 \$	2014 \$
ASSETS			
Non-current assets			
Plant and equipment	3	12,797	23,191
Current assets			
Other receivables	4	20,346	16,007
Fixed deposits	5	3,533,902	3,525,718
Cash and cash equivalents		6,823,928	6,342,331
		10,378,176	9,884,056
Total assets		10,390,973	9,907,247
LIABILITIES			
Current liabilities			
Other payables	6	80,836	94,538
		80,836	94,538
Net assets		10,310,137	9,812,709
Represented by:			
Accumulated fund	7	10,310,137	9,812,709



Hew Wei Yen (Denis Hew)
Director
Policy Support Unit

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

APEC POLICY SUPPORT UNIT

STATEMENT OF INCOME AND EXPENDITURE FOR YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Income	8	2,727,691	2,539,607
Other income	9	146,265	76,498
Administrative expenditure	10	(2,376,528)	(2,556,961)
Surplus for the year		<u>497,428</u>	<u>59,144</u>



Hew Wei Yen (Denis Hew)
Director
Policy Support Unit

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

APEC POLICY SUPPORT UNIT

STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Surplus for the year		497,428	59,144
Adjustment for:			
Depreciation of plant and equipment		17,643	14,742
Fixed deposit interest		(9,363)	(6,021)
		<u>505,708</u>	<u>67,865</u>
Adjusted surplus for the year			
Changes in working capital:			
(Increase)/Decrease in :-			
Other receivable		(4,339)	21,256
Increase/(Decrease in) :-			
Other payables		(13,702)	(10,465)
		<u>(18,041)</u>	<u>10,791</u>
Cash generated from/(used in) operations			
Net cash flow from operating activities		487,667	78,656
Cash flows from investing activities			
Purchase of plant and equipment		(7,249)	(13,946)
Fixed deposit interest		9,363	6,021
		<u>2,114</u>	<u>(7,925)</u>
Net cash flow from investing activities			
Cash flows from financing activities			
Net Cash inflows from financing activities			
		-	-
Net increase in cash and cash equivalents		489,781	70,731
Cash and cash equivalents at beginning of the year		9,868,049	9,797,318
Cash and cash equivalents at end of the year	11	<u>10,357,830</u>	<u>9,868,049</u>



Hew Wei Yen (Denis Hew)
Director
Policy Support Unit

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

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

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

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 the provisions of the 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 Company'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.

The PSU has adopted the new and revised FRSs and Interpretations of FRS ("INT FRS") that are applicable in the current financial period.

The adoption of the new or revised FRSs and INT FRS does not result in substantial changes to the PSU's accounting policies and has no material effect on the amounts reported for the current and prior financial periods.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

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 periods beginning on or after 1 January 2015.

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

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits.

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

Capital work-in-progress, representing costs of plant and equipment which have not been commissioned for use, is not depreciated.

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 YEAR ENDED 31 DECEMBER 2015

2 Significant Accounting Policies (continued)**Financial assets****(a) Classification**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. There are no financial assets other than loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

(c) Measurement

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(d) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Borrowing costs

Borrowing costs are recognised on a time-proportion basis in the profit or loss using the effective interest method.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015****2 Significant Accounting Policies (continued)****Financial liabilities**

Financial liabilities are recognised on the reporting date when, and only when, the PSU become a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at the fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through amortisation process.

Impairment of non-financial assets

Plant and equipments are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. higher of the CGU's fair value less cost to sell and value in use) of the asset is estimated to determine the amount of the impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit (CGU) to which the assets belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognized in the profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) has no impairment loss been recognized for the asset in prior year. A reversal of impairment loss for an asset is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015****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.

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 is a new function within the Secretariat which is 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.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015****2 Significant Accounting Policies (continued)****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.

Income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of rebates and discounts. Revenue is recognised as follows:

Contributions from member economies is recognised on an accrual basis.

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

2.1 Significant accounting estimates and judgements

There were no critical judgments made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements. There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

3 Plant and Equipment

	Furniture and fittings \$	Computer \$	Office equipment \$	Software \$	Total \$
Cost					
At 01.01.2014	865	75,985	10,922	8,353	96,125
Additions	12,162	1,324	460	-	13,946
Disposals	-	(45,080)	-	-	(45,080)
At 01.01.2015	13,027	32,229	11,382	8,353	64,991
Additions	-	4,581	268	2,400	7,249
At 31.12.2015	13,027	36,810	11,650	10,753	72,240
Accumulated depreciation					
At 01.01.2014	676	55,815	8,728	6,919	72,138
Charge for the year	2,845	10,269	1,136	492	14,742
Disposals	-	(45,080)	-	-	(45,080)
At 01.01.2015	3,521	21,004	9,864	7,411	41,800
Additions	4,054	11,560	1,137	892	17,643
At 31.12.2015	7,575	32,564	11,001	8,303	59,443
Net book value					
At 31.12.2015	5,452	4,246	649	2,450	12,797
At 31.12.2014	9,506	11,225	1,518	942	23,191

4 Other Receivables

	2015 \$	2014 \$
Deposits	875	-
Prepayments	8,709	12,546
GST recoverable	1,077	1,632
Interest receivable	2,931	1,829
Other debtors	6,755	-
	20,346	16,007

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

4 Other Receivables (continued)

Other receivables are denominated in the following currencies:

	2015 \$	2014 \$
Singapore dollars	19,807	12,497
US dollars	539	3,510
	<u>20,346</u>	<u>16,007</u>

5 Fixed Deposits

Fixed deposits are placed with financial institutions and earn interest at the rates ranging from 0.05% to 0.41% per annum (2014: 0.05% to 0.24%). The fixed deposits are on auto rollover and have maturity terms of 18 to 87 days (2014 :14 to 85 days) from reporting date.

6 Other Payables

	2015 \$	2014 \$
Accrued operating expenses	<u>80,836</u>	<u>94,538</u>

Other payables are denominated in Singapore dollar.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

7 Accumulated Fund

	2015	2014
	\$	\$
Movement in accumulated fund:		
At beginning of year	9,812,709	9,753,565
Surplus for the financial year	497,428	59,144
At end of year	<u>10,310,137</u>	<u>9,812,709</u>

8 Income

	2015	2014
	\$	\$
Members' Contributions:		
Australia	407,000	462,800
Chinese Taipei	141,410	251,080
China	707,050	-
Japan	344,455	666,333
Korea	477,575	442,925
New Zealand	101,750	214,130
United States of America	548,451	502,338
	<u>2,727,691</u>	<u>2,539,607</u>

9 Other Income

	2015	2014
	\$	\$
Fixed deposit interest	9,363	6,021
Foreign currency exchange gain	136,902	70,478
	<u>146,265</u>	<u>76,498</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

10 Administrative Expenditure

	2015	2014
	\$	\$
Accountancy fee	4,800	4,800
Advertisement	2,279	3,589
Audit fee	3,200	3,200
Bank charges	1,691	1,186
Consultants and research fee	269,317	347,237
CPF and SDL	55,749	52,440
Data subscription	16,828	13,837
Depreciation of plant and equipment	17,643	14,742
General expenses	15,874	12,222
Insurance	18,427	16,399
Medical fee	3,867	2,573
Newspaper and periodical	2,825	12,550
Office and building maintenance	40,015	39,598
Printing and stationery	16,422	19,433
Postage and courier	1,487	248
Professional fee	2,120	-
Rental - office equipment	1,740	1,740
Staff salaries and bonuses	1,397,335	1,433,902
Staff welfare	279,865	353,269
Telecommunication	5,736	5,638
Transportation	4,148	3,055
Travelling expenses	215,160	215,303
	<u>2,376,528</u>	<u>2,556,961</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

11 Cash and Cash Equivalents

	2015 \$	2014 \$
Bank balances	6,823,928	6,342,331
Fixed deposits	3,533,902	3,525,718
	<u>10,357,830</u>	<u>9,868,049</u>

Cash and cash equivalents are denominated in the following currencies:

	2015 \$	2014 \$
Singapore dollars	6,857,275	8,374,325
US dollars	3,500,555	1,493,724
	<u>10,357,830</u>	<u>9,868,049</u>

12 Operating Lease Commitments

At at the end of financial year, the commitments under operating leases for the office equipment are as follows:

	2015 \$	2014 \$
Payable within 1 year	1,740	1,740
Payable after 1 year	3,045	4,785
	<u>4,785</u>	<u>6,525</u>

13 Financial Risk Management

The PSU overall approach to risk management is to minimize potential adverse effects on the operations of the PSU. The policies for management of these risks are as follows:

Foreign exchange risk

The Company incurs foreign currency risk on transactions and balances that are denominated in currencies other than Singapore dollars. The foreign currency exposure is primarily US dollars. Exposure to foreign currency risk is monitored on an on going basis to ensure that the next exposure is at an acceptable level. The PSU does not use any financial derivatives for hedging purposes.

The sensitivity analysis for foreign currency risk is not presented as the PSU does not have significant foreign transactions and balances.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015****13 Financial Risk Management (continued)****Liquidity risk**

The PSU manage the liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to fund the PSU's activities and mitigate the effects of fluctuations in cash flows.

The PSU maintains sufficient cash and funding where required is obtained from contributions from member's countries.

Interest rate risk

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

Interests earning financial assets are mainly bank balances and fixed deposits which are short-term in nature. Therefore, any future variations in interest rates will not have a material impact on the results of the PSU.

The sensitivity analysis to a reasonably possible change in interest rates with all other variables held constant, of the PSU's operating result has not been disclosed as the PSU's exposure to changes in market interest rates is not significant.

Credit risk

The PSU has no significant concentrations of credit risk.

14 Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their respective fair values due to the relatively short-term maturity of those financial instruments.

15 Authorisation of Financial Statements

The financial statements for the year ended 31 December 2015 were authorised for issue by the PSU Director on

14 MAR 2016

ABOUT THE PSU

ESTABLISHMENT

In September 2007, APEC Ministers agreed to establish a Policy Support Unit (PSU) attached to the APEC Secretariat. The unit, to be 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 paper setting out the [PSU Governance Arrangements](#) which provides the foundations for the PSU and sets out its structure, functions and processes. The PSU became operational in August 2008.

In September 2012, APEC Ministers agreed with Senior Officials to extend the PSU's mandate until the end of 2020 with a mid-term review to examine its strategic direction. Subsequently in March 2013, PSU Board approved a [five-year strategic plan](#) to provide a broad direction to the PSU's work until the mid-term review.

VISION, MISSION AND OBJECTIVES

The five-year strategic plan articulates the PSU's vision, mission and objectives as follows:

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 SOM, committees and 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 robust research and analysis to support APEC fora and members so that policy development is evidence-based, internal capacities are enhanced, and implementation of policy measures can be evaluated; (2) Strengthen engagement and research collaboration with international and regional organizations; and (3) Communicate policy research and analytical outcomes to key APEC stakeholders.

RESEARCH AGENDA

The PSU's policy research and analysis agenda is structured into five core areas, 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. Among the current work are:

- assessing progress of free and open trade and investment, a more favorable business environment, improvements in quality of growth and supply chain performance, and structural reform;
- studies on manufacturing related services in supply chains, SMEs in global production chains and their business environment, and FTAs/RTAs in the region;
- providing analytical research and inputs to support APEC agenda on topics such as services, women and the economy, and sustainable city development;
- analysis on recent economic performance, trade and investment measures of APEC economies; and
- maintaining a database of economic indicators to improve understanding of the integration between APEC economies and the world, and of the region's contribution to the global economy.

PSU BOARD MEMBERS

Ambassador Laura Q. del Rosario, the Philippines	PSU Board Chair SOM Chair
Represented by: Dr Emmanuel F. Esguerra, the Philippines	Representing: PSU Board Chair
Ms Carmen Azurin, Peru	PSU Board Vice-Chair
Ms Yu Miao, China	Immediate Past Host Economy Representative
Mr Brendan Berne (April-December 2015) and Mr Leslie Williams, Australia	Contributing Economies: SOM and/or their representatives
Mr Toshiyuki Sakamoto, Japan	
Ambassador Ahn Chong-ghee (January-March 2015) and Ambassador Taeho Lee (April-December 2015), Korea	
Ms Alison Mann, New Zealand	
Mr Lee Ark-Boon and Mr Wong Chow Ming, Singapore	
Ambassador Tom Tai-Chu Chou (January-May 2015) and, Ambassador Pei-Yung Hsu (June-December 2015), Chinese Taipei	
Mr Robert S. Wang (January-May 2015) and Mr Matthew J. Matthews (June-December 2015), and Ms Deanne De Lima, USA	
Dr Alan Bollard	
Dr Denis Hew	APEC PSU Director
Mr John Larkin, Australia	CTI Chair
Mr Rory McLeod, New Zealand	EC Chair
Mr Gil Beltran, the Philippines	SFOM Chair

PSU STAFF MEMBERS

Dr Denis Hew Wei Yen	PSU Director
Ms Chang Hui Ling	Administrative Executive
Ms Patricia Gomez	Administrative Assistant
Ms Aveline Low Bee Hui	Policy Advisor
Mr Carlos Kuriyama	Senior Analyst
Dr Akhmad Bayhaqi	Senior Analyst
Dr Gloria O. Pasadilla	Senior Analyst
Ms Bernadine Zhang Yuhua	Analyst (until 31 August 2015)
Mr Emmanuel A. San Andres	Analyst
Dr Yu-Wen Dai	Analyst (until 25 February 2015)
Mr Collin Jay Gerst	Researcher (until 7 January 2015)
Mr Andre Wirjo	Researcher
Mr Kelvin Lee	Researcher (until 30 January 2015)
Ms Zhu Huani	Researcher
Ms Rhea Crisologo Hernando	Researcher
Ms Denise Cheok Jia Yuan	Researcher

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