



**Asia-Pacific  
Economic Cooperation**

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

# Annual Report 2022

**APEC Policy Support Unit**

May 2023

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](mailto:psugroup@apec.org) Website: [www.apec.org](http://www.apec.org)

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

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**Asia-Pacific  
Economic Cooperation  
Secretariat**

APEC Senior Officials

Dear Senior Officials

On behalf of the APEC Policy Support Unit (PSU) and in accordance with clauses 54 and 55 of the APEC PSU Governance Arrangements, I am pleased to enclose the APEC PSU Annual Report 2022.

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

Carlos Kuriyama  
Director  
APEC Policy Support Unit

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## PROJECTS AND ACTIVITIES

### OVERVIEW OF PROJECTS AND ACTIVITIES

Strengthening the human resources of the APEC Policy Support Unit (PSU) remained a key focus in 2022. In addition to adjusting the salaries of researchers to be competitive with the market as recommended in the 2021 human resource review, the PSU implemented improvements in areas such as the performance management process. The year also saw a key leadership change – the appointment of Mr Carlos Kuriyama as the PSU Director for a three-year term effective 1 January 2023. Senior Officials approved the selection of the PSU Director, who was identified by the PSU Board after an open recruitment process led by the PSU Board Chair with support from the APEC Secretariat. Mr Kuriyama will succeed Dr Denis Hew, who helmed the unit since 2011.

With human resources at its core, the PSU focused on aligning its work with the three economic drivers and their corresponding objectives in the APEC Putrajaya Vision 2040 and Aotearoa Plan of Action. This is evident in the following pages that illustrate how each project contributes to the economic drivers and their objectives. In particular, the PSU continued to support APEC's response to and recovery from the COVID-19 pandemic by carrying out research and studies on topics such as:

- Cross-border mobility, with policy recommendations to revitalize cross-border travel and tourism in the region;
- Supply chain, looking at the role of supply chain connectivity in supporting post-COVID economic recovery and improving supply chain resilience;
- Digitalization, with recommendations to drive growth of digital services and use digital tools in trade to increase resilience in the region;
- Trade, with suggestions to refresh the Free Trade Area of the Asia Pacific (FTAAP) work program by addressing topics that have become more relevant in the light of the pandemic; and
- Economic impact, with updates on the latest economic outlook and trends on trade and investment in the region.

Other deliverables covered topics on:

- Digital connectivity, addressing how APEC members can take advantage of opportunities offered by greater digital connectivity;
- Structural reform, examining how structural reform policies aimed at improving the conditions for growth could be an effective response to environmental threats and provide for the greening of economies; and
- Trade, showing how the Regional Comprehensive Economic Partnership is important to realizing the creation of the much larger FTAAP through an analysis of its tariff liberalization schedules.

Especially noteworthy were the policy briefs produced by the PSU. Thirteen policy briefs were published in 2022, the most ever in a year. They covered a range of interesting topics from looking at the costs of unpaid care and domestic work, harnessing digitalization to tackle informality, using artificial intelligence in economic policymaking, upgrading participation in global value chain, understanding information disorder, transitioning to electric vehicles, ensuring inclusion in moving to a sustainable economy, to using the Bio-Circular-Green Economy as a guiding framework in developing holistic solutions to regional challenges.

In an effort to measure its performance, the PSU since 2013 has been conducting a yearly self-assessment. The survey this year, which looked at projects completed in 2021, showed that the 11 APEC groups including Senior Officials, were overall very satisfied with the projects completed by the PSU in 2021 and found them of very good quality and useful.

Indeed, the use of PSU's policy research and analysis can be seen at both the working level and policy level of the APEC process. At the working level, the PSU contributed to the activities and projects of Senior Officials, committees and fora, while at the policy level it supported policy deliberations by Ministers and Leaders. For instance, the PSU conducted a study on cross-border mobility for the Safe Passage Taskforce, which included the recommendations in a report that was later welcomed by APEC Ministers. Likewise, the PSU supported the Economic Committee with preparing the 2022 APEC Economic Policy Report, which APEC Ministers welcomed and encouraged economies to take into

account the report's recommendations. The PSU also conducted a study on digital connectivity for Senior Officials, a topic emphasized by APEC Leaders and Ministers.

As for communication, besides publishing its work on the APEC website and showcasing those related to COVID-19 on the APEC COVID-19 LIVE site, the PSU actively participated in a variety of APEC and non-APEC meetings and events, both in person and virtually. A list of these meetings and events can be found in the two half-year evaluation reports. The PSU also has a close partner in the Communications and Public Affairs Unit. Together, communications materials in the form of news release, articles and blogs were produced and disseminated, and media activities like briefings, informal roundtables and interviews were held. The PSU also had the chance to speak with Asia-based journalists who were attending a journalism training workshop.

In terms of collaboration, the PSU continued to engage like-minded organizations to discuss about possible cooperation, including the Asian Development Bank, ASEAN Secretariat, Economic Research Institute for ASEAN and East Asia, and the United Nations Economic and Social Commission for Asia and the Pacific. The PSU also communicated with the Commonwealth Secretariat, who was interested to know about APEC and the PSU's work. From the research institutes, the PSU spoke with the Korea Development Institute, the Portulans Institute, and a few other institutions from the APEC Study Centers Consortium. This year also marked the end of the sponsorship relationship the PSU had with The Asia Foundation and the Hinrich Foundation.

The private sector and the youth were two other groups with whom the PSU interacted with. In addition to participating in events of the APEC Business Advisory Council, the PSU met with business and trade organizations as well as private sector firms. Concerning the youth, the PSU engaged them at events organized by youth and student organizations and universities in Singapore and Peru. The PSU also continued to provide internship and fellowship opportunities to students, and served as an advisor to students in their research project.

Come 2023, the PSU will enter its 15th year of operation. The PSU was gratified for the continued steadfast support from APEC member economies, particularly members of the PSU Board who have supported the PSU financially and in-kind and devoted attention to the human resources and financial sustainability issues of the PSU. Their support has seen the PSU through these years and their continuing support will enable the PSU to stay on course to contribute toward the achievement of APEC Putrajaya Vision 2040, including through the Aotearoa Plan of Action. In the coming year, the PSU will also endeavor to carry out work contributing to the three streams of policy priorities for APEC 2023: (1) interconnected, (2) innovative, and (3) inclusive.

## COMPLETED PROJECTS IN 2022

### For Senior Officials' Meeting (SOM)

#### **A. COVID-19 and Cross-Border Mobility in the APEC Region: Addressing Uncertainties at the Border**

The PSU was tasked by the APEC Safe Passage Taskforce (SPTF), set up in 2022 to coordinate APEC efforts contributing to the facilitation of cross-border travel in the APEC region, to prepare a report that will include an analysis of the key uncertainties at the border for travel in the region and recommendations. The root of the report can be traced back to an earlier study by the PSU on cross-border mobility, a key recommendation of which was to reduce uncertainty at the borders.

This report presented an overview of COVID-19 border policies in the region as of mid-late-2022, analyzed travel trends to the region, and estimated the impacts of border policies on visitor arrivals. It provided a few recommendations to revitalize cross-border travel and tourism in the region, namely (1) ensure widespread and equitable access to COVID-19 vaccines; (2) implement border COVID-19 requirements that are risk- and evidence-based; (3) support the development of interoperable digital vaccination certificates; (4) facilitate the dissemination of information on entry requirements relating to COVID-19; and (5) propose APEC initiatives that address regional risks and continue APEC coordination work, including through relevant sub-fora, to continue cross-sectoral work on regional mobility. Those recommendations were taken on board in the SPTF Report and Recommendations to Senior Officials.

The report was presented to SPTF, Senior Officials, Tourism Ministers, Tourism Working Group (TWG), and Business Mobility Group (BMG). It was also presented at a virtual policy roundtable on the safe passage of APEC maritime crew. APEC Ministers welcomed the recommendations in the report, and APEC Leaders committed to further cooperation to promote safe and seamless cross-border travel within our region.

*The Aotearoa Plan of Action is a key document for implementing the APEC Putrajaya Vision 2040. This project contributes to the economic driver of Trade and Investment with the following objective: 'We will promote seamless connectivity, resilient supply chains and responsible business conduct'.*

#### **B. Enhancing Implementation of APEC Connectivity Blueprint in the Digital Era: Digital Connectivity for Stronger Recovery**

The digital economy has grown exponentially since 2014 when APEC Leaders endorsed the APEC Connectivity Blueprint (2015-2025). Fueling the growth was the COVID-19 pandemic, which increased the impetus to digitalize. It thus came as no surprise that two out of the five recommendations from the mid-term review of the APEC Connectivity Blueprint, conducted by the PSU in 2020, were related to digital connectivity and digital technology.

Cognizant of their growing importance and in line with the APEC Putrajaya Vision 2040, Senior Officials had tasked the PSU to conduct a study with an aim to promote greater digital connectivity in the region and progress towards achievement of the goals of the Blueprint. Drawing on literature review and insights gathered from case studies provided by APEC economies, the study report discussed recent trends in digital trade and presented a number of best practices to promote greater digital connectivity in the region. It also described initiatives to advance physical, institutional, and people-to-people connectivity. Additionally, it provided a number of policy recommendations to address the four main challenges in digital connectivity currently facing the region, namely: (1) reducing the digital divide; (2) improving interoperability of digital systems and ensuring data security; (3) fostering greater regulatory cooperation to support the digital economy; and (4) maximizing digital dividends and spillover benefits.

The study was presented to the Committee on Trade and Investment (CTI), Senior Officials and their SOM Friends of the Chair on Connectivity. The APEC Connectivity Blueprint remains a key element of the APEC agenda. APEC Ministers during their annual meeting reaffirmed their commitment to advancing the APEC connectivity agenda, including through implementing the Blueprint. They also emphasized the need to strengthen digital connectivity and advance digital transformation to further facilitate trade. APEC Leaders also reaffirmed their commitment to its implementation and to strengthening physical, institutional and people-to-people connectivity and taking advantage of digital connectivity.

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

### **C. Study on Tariffs: Analysis of the Regional Comprehensive Economic Partnership (RCEP) Tariff Liberalization Schedules**

This study was an extension of and complemented a 2019 PSU Study on Tariffs - Taking Forward the Lima Declaration on the Free Trade Area of the Asia-Pacific (FTAAP), and was conducted on the request of CTI. Both studies were done under the work program on tariffs, which CTI agreed on to implement the Lima Declaration endorsed by APEC Leaders in 2016.

The 2019 study, among other things, examined market access commitments within one of the possible FTAAP pathways: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The signing of the Regional Comprehensive Economic Partnership (RCEP) on 15 November 2020, another possible FTAAP pathway, motivated the realization of this study. This report focused exclusively on analyzing one aspect of RCEP, i.e., tariff liberalization schedules, and compared the extent of tariff liberalization within the RCEP and CPTPP. The findings showed that, from the tariff liberalization perspective, RCEP is an important step forward to realize the creation of the much larger FTAAP. Both CPTPP and RCEP are important pathways for this goal because they strengthen economic links among their members and represent important instruments to build up trust among economies.

The study was presented to CTI and Market Access Group (MAG).

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

### **D. Review of APEC Cross Border Privacy Rules (CBPR) System**

Digital Economy Steering Group (DESG). In the first collaboration with DESG, the PSU conducted a study to support the implementation of one of the priority areas identified in the work program of the APEC Internet and Digital Economy Roadmap (AIDER), specifically to encourage discussion towards wider implementation and adoption of APEC CBPR.

The study identified and analyzed the existing challenges of the APEC CBPR system, in particular how to increase uptake, through a comprehensive methodology that involved desk-based research, interviews with more than 40 representatives of different economies, accountability agents, and think tanks, and a quantitative survey of more than 500 firms. Using insights gained from the survey and interviews, three sets of challenges were identified, namely challenges that arise when: (1) joining (or considering joining) the CBPR system; (2) operationalizing the CBPR system in a participating economy; and (3) enhancing uptake of the CBPR system by firms. A number of policy recommendations were formulated by the PSU to

address each set of challenges; also included were recommendations providing answers to a key question asked by firms: how can CBPR open up business opportunities?

The findings were presented to DESG and the DESG Data Privacy Subgroup.

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

#### For Economic Committee (EC)

##### **E. APEC Economic Policy Report (AEPR) 2022: Structural Reform and a Green Recovery from Economic Shocks**

The PSU has managed the production of EC’s flagship annual report for seven years in a row. Similar to previous years, the PSU worked closely with a core team comprising EC members to produce the AEPR 2022, which focuses on structural reform and a green recovery from economic shocks. The PSU co-wrote the chapter on key findings and policy recommendations and also engaged with the International Monetary Fund (IMF), which peer-reviewed the report.

This report highlighted how structural reform policies, which aim at improving the conditions for growth, could be an effective response to environmental threats and provide for the greening of our economies. It supported the view that structural reforms to promote sustainable outcomes can also promote higher rates of growth. The report identified pricing as an important component of green reforms, but it alone is insufficient to drive rapid and transformative change in the economy. A framework for the implementation of green structural reforms was suggested, which includes three types of measures: (1) market-based instruments; (2) regulations; and (3) complementary enabling instruments on innovation, investments and skills, among others.

The report was presented to EC, including the Competition Policy and Law Group (CPLG), and endorsed by Senior Officials. It was welcomed by APEC Ministers who encouraged economies to take into account its recommendations. APEC Leaders also recognized that in order to achieve post-COVID-19 economic recovery, driving growth-focused structural reform that is designed to be inclusive, sustainable, and innovation-friendly is a priority.

*This project contributes to the economic driver of Innovation and Digitalisation with the following objective: ‘We will pursue structural reforms and sound economic policies to promote innovation as well as improve productivity and dynamism’, and the economic driver of Strong, Balanced, Secure, Sustainable and Inclusive Growth with the following objective: ‘We will promote economic policies, cooperation and growth, which will support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet’.*

#### Other Activities

##### **F. Technical Support**

The PSU provided technical support in a number of ways. These took the form of supporting the organization of a regional economic outlook session for the first EC plenary meeting; offering views on a concept note submitted for the Strengthening Economic Legal Infrastructure (SELI) sub-fund; and providing technical advice on work related to the Bio-Circular-Green economy, FTAAP post-COVID, and monitoring progress of the La Serena Roadmap for Women and Inclusive Growth. The PSU also shared technical knowledge by participating as a speaker and resource person in two capacity building workshops organized to support Peru as the APEC 2024 host economy.

## G. Participation in Meetings and Events

During the APEC 2022 Thailand year, the PSU participated in meetings and events across the APEC structure in various capacities. Apart from attending and reporting on progress of projects undertaken, the PSU was able to share research findings and analysis gleaned from the projects to various APEC groups and lend technical expertise to the groups' discussions. The PSU also gained in return as it was able to learn from the participants, including government officials and technical experts participating in the various groups, thereby enriching the work carried out by the PSU.

At the level of Ministers,

- (1) APEC Ministers: APEC Ministerial Meeting (17 November).
- (2) Ministers Responsible for Trade: Ministers Responsible for Trade (MRT) – ABAC Dialogue (21 May), and MRT Meeting (21-22 May).
- (3) Finance Ministers: Finance Ministers' Meeting (20 October), also the Finance and Central Bank Deputies' Meeting (16-17 March) and Senior Financial Officials' Meeting (22-23 June).
- (4) Tourism: Tourism Ministerial Meeting (19 August).

At the levels of Senior Officials, committees and fora,

- (5) Senior Officials' Meeting (SOM) from the First to the Concluding SOM. Other SOM-level meetings were: SOM Friends of the Chair on Connectivity Meeting, Safe Passage Taskforce Meetings, and Dedicated Sessions on Bangkok Goals on Bio-Circular-Green (BCG) Economy. The PSU also attended the Informal SOM, including the Symposium, organized by the United States, the APEC 2023 host economy.
- (6) Committee on Trade and Investment (CTI) plenary meetings, including the dedicated session on FTAAP, the COVID-19 pandemic and beyond.
- (7) CTI fora, specifically the Automotive Dialogue (AD), Business Mobility Group (BMG), Digital Economy Steering Group (DESG) and DESG Data Privacy Subgroup, 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).
- (8) Economic Committee (EC) plenary meetings, including the GOS-EC joint symposium on services and structural reform.
- (9) SOM Steering Committee on Economic and Technical Cooperation (SCE) plenary meetings, including the policy dialogue on promoting BCG economy.
- (10) SCE fora, specifically the Human Resources Development Working Group (HRDWG) and the three HRDWG networks, Policy Partnership on Women and the Economy (PPWE), Small and Medium Enterprises Working Group (SMEWG), Tourism Working Group (TWG), and Transportation Working Group (TPTWG).
- (11) Budget and Management Committee (BMC) plenary meetings.

Additionally, the PSU participated in meetings and events of the APEC Business Advisory Council (ABAC) and the APEC Study Centers Consortium (ASCC). A list of the PSU's participation in meetings and events at and outside APEC can be found in the two PSU Half-Year Evaluation Reports for 2022.

## CURRENT PROJECTS - DISCRETE

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

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

Contributing to APEC's efforts to address climate change and at the request of CTI, this study by the PSU identifies non-tariff measures (NTMs) affecting trade in products reducing GHG emissions. It entails first, a mapping of NTMs that will be conducted by analyzing trade databases with information on NTMs and by collecting firm-level perspectives through surveys and interviews on the nature and scale of the effects of NTMs in trade in goods reducing GHG emissions. The findings will then be used to inform policy recommendations to minimize inhibitive NTMs and improve the design of measures to facilitate trade in goods reducing GHG emissions. Areas for regulatory cooperation relating to trade and climate change will be identified, and this will assist in outlining priority areas for further work within APEC and beyond. Completion is expected in the second quarter of 2023.

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

#### **B. Research on How Economies Can Help Businesses Build and Maintain Open, Secure and Resilient Supply Chains**

This research, conducted by the PSU for CTI, analyzes the requirements for effective and successful post-pandemic supply chain strategies. It will examine the vulnerabilities in global supply chains in recent years, their impact on trade and businesses in APEC economies, and the supply chain strategies firms and governments have adopted to address them. Besides providing insight into and learning from the best practices adopted by firms, governments, and industries in developing long-term supply chains strategies, the research will provide recommendations to help businesses promote dynamic and innovative supply chains that are open, secure and resilient. It is expected to be completed by the second quarter of 2023.

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

Group on Services (GOS). In a GOS proposal endorsed by Senior Officials, the PSU has been tasked to provide support in preparing a report on growth and developments concerning barriers to trade in the travel, transport (including logistics-related services), and "other business services" sectors. These sectors are selected as they have experienced significant declines during the pandemic. The PSU will deliver a report annually from 2023 to 2025, with the 2023 report expected to be completed in the third quarter of the year. The report for 2025, which marks the end of ASCR, will be included in the ASCR final review.

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#### **D. Investment Facilitation Action Plan (IFAP) Implementation Progress 2021-2022**

Investment Experts’ Group (IEG). The fourth to be undertaken by the PSU for IEG, this review looks specifically at the implementation progress of IFAP in 2021-2022, and from the findings distils the lessons learnt and provides policy recommendations to enhance investment facilitation in the APEC region. The earlier reviews were undertaken in 2013-2014, 2017 and 2019. Expected completion is in the third quarter of 2023.

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For Economic Committee (EC)

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

The EAASR endorsed by Structural Reform Ministers in 2021 instructed EC to report to Senior Officials on the progress of its implementation at its mid-term in 2023. Supporting EC in this effort, the PSU will carry out the review at two levels: (1) at an individual economy level, through the Individual Action Plans submitted by economies; (2) at an APEC-wide level, through the agreed external indicators and the EAASR Implementation Plan. The expected completion is in the third quarter of 2023.

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## CURRENT PROJECTS - ONGOING

### A. APEC Regional Trends Analysis

The PSU produces the APEC Regional Trends Analysis on a periodic basis. In 2022, one report and two updates were published.

The update in February (titled 'Multiple Headwinds Derail Recovery) showed the APEC region growing at a slower pace of 4.2% in Q3 2021 following a strong rebound of 10.1% in Q2 2021, reflecting the impact of the Delta variant that prompted a re-imposition of movement restrictions amid a surge in infections. This translated into disruptions in supply chains and reduced consumption, slowing down economic activity. The region was expected to moderate further to 4.2% in 2022 and 3.8% in 2023 as multiple challenges derail global economic recovery. Growth within APEC will remain uneven due to disparities in pandemic management and vaccine uptake as well as narrowing fiscal space and adjustments in monetary policy support. Global and regional cooperation mechanisms will continue to play an important role in recovering from the chaos wreaked by the pandemic and rebuilding stronger economies.

The report in May (titled 'Tackling Trade Costs and Facilitating Supply Chain Networks; Sustainable Recovery amid Uncertainty') explored the topic on trade costs, which are a key determinant of trade patterns and trade networks. It analyzed the issues surrounding trade costs and discussed policy options to reduce trade costs and improve the resiliency of supply chain networks. The chapter on economic and trade trends showed the fragile recovery of the APEC region's economy. APEC GDP was expected to slow to 3.2% in 2022 after growing by 5.9% in 2021. Meanwhile, average inflation in the region doubled in 2022 to 3.0% compared to 1.5% in 2021. Economic recovery, which was already fragile to begin with, faltered toward the second half of 2021 with the emergence of the highly contagious Omicron variant, while rising inflation, particularly of food prices, could push more people into extreme poverty. Amid heightened uncertainty and rising risks from crisis upon crisis, the challenge for APEC is to translate the Putrajaya 2040 vision of an 'open, dynamic, resilient and peaceful Asia-Pacific' into concrete actions and tangible benefits for all people.

The update in August (titled 'Future-proofing APEC amid Challenges and Uncertainties') revealed that the APEC region was expected to significantly moderate in the near term to 2.5% in 2022 and 2.6% in 2023 following a 5.9% rebound in 2021, reflecting sharp downgrades in economic growth for all member economies, in tandem with the rest of the world. Already reeling from a pandemic that is marked with virus mutations, the world is also dealing with soaring inflation and heightened uncertainty. The manifold of difficulties that the world is facing underscores the importance of preparedness: preparing for the next pandemic or crisis and preparing for a future that is inevitably highly digitalized and greatly exposed to the harmful effects of climate change. APEC economies need to work cohesively and consistently toward a sustainability and inclusivity agenda that future-proofs economies in the region.

The report and updates were presented to the Committee on Trade and Investment (CTI), Economic Committee (EC), Sub-Committee on Customs Procedures (SCCP), Small and Medium Enterprises Working Group (SMEWG), Finance Ministers, Finance and Central Bank Deputies, Senior Finance Officials, APEC Study Centers Consortium (ASCC), and APEC Business Advisory Council (ABAC). For the EC specifically, the PSU put together, facilitated and spoke in a panel on APEC regional trends analysis during the first EC plenary meeting. The PSU also spoke in an APEC workshop on opportunities and challenges for GVCs during COVID-19 pandemic and post-pandemic economic recovery.

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## B. PSU Policy Brief Series

The PSU produces policy briefs to provide concise analyses of policy issues since 2011. In 2022, the PSU published 13 policy briefs. An outline of each is as follows:

- (1) A Decade of Supply Chain Initiatives: Opportunities and Challenges in Post-COVID-19 Recovery (No. 42, January): This brief provided an overview of earlier implementation of the APEC Supply Chain Connectivity Framework Action Plan, phase I (2010–2015) and II (2017–2020). It looked at the key trends in GVC development as well as new challenges and opportunities found in the digital economy, and suggested chokepoints that are relevant to strengthening supply chain connectivity and regional economic integration in the Asia-Pacific region.

The brief was presented to CTI.

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- (2) Unpaid Care and Domestic Work: Counting the Costs (No. 43, March): This brief provided a picture of the state of unpaid care and domestic work, focusing on its costs to women in particular, and the economy in general. It discussed a number of policy suggestions and other recommendations to reduce the gender gap in this area.

The brief was presented to the Policy Partnership on Women and the Economy (PPWE). APEC Leaders and Ministers reaffirmed their commitment to accelerate the full implementation of the La Serena Roadmap for Women and Inclusive Growth to promote the empowerment of women.

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

- (3) Stepping Outside the Shadows: Informality and Digitalisation (No. 44, April): This brief explored the intersections between informality and digitalization. It highlighted the potential role of digitalization in addressing issues related to informality, pointed out the challenges of digitalization, and offered a set of policy recommendations as policymakers look to better harness digitalization to tackle informality.

The brief was presented to SMEWG and ASCC.

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- (4) Lessons from the COVID-19 Pandemic: A Renewed Agenda for the Free Trade Area of the Asia-Pacific (FTAAP) (No. 45, May): This brief explored some of the most pressing challenges affecting trade since the start of the COVID-19 pandemic and provided policy recommendations to overcome them. It suggested new topics to consider during discussions of the FTAAP work program, including those that have become more relevant as a result of the pandemic.

The brief was presented to CTI and at a CTI dedicated session on FTAAP, the COVID-19 pandemic and beyond. It was also presented during the Ministers Responsible for Trade (MRT) – ABAC dialogue and a symposium on FTAAP, the COVID-19 pandemic and beyond.

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

- (5) The FDI Network, Global Value Chain Participation and Economic Upgrading (No. 46, May): This brief contributed to the discussion of foreign direct investment (FDI) as one of the important internationalization pathways to GVC participation. Besides highlighting the economic benefits of and exploring the relationship between GVC participation and FDI, it examined China; Indonesia; and Viet Nam, three developing economies with significant levels of GVC participation but differing levels of development and domestic economic structure.

*This contributes to the economic driver of Trade and Investment with the following objectives: ‘We will promote seamless connectivity, resilient supply chains and responsible business conduct’, and ‘To ensure that the Asia-Pacific remains the world’s most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment’.*

- (6) Resiliency in a Post-Pandemic APEC: Approaches to Driving Growth in Digital Services (No. 47, August): This brief explored the convergence between digitalization and services, and how that intersection can make an economy more resilient to shocks. It analyzed some of the available services statistics, highlighted the role of digitalization in services access and provision, and offered policymakers a set of recommendations to drive growth in digital services.

The brief was presented to the Group on Services (GOS) and Digital Economy Steering Group (DESG).

*This contributes to the economic driver of Trade and Investment with the following objective: ‘To ensure that the Asia-Pacific remains the world’s most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment’, and the economic driver of Innovation and Digitalisation with the following objective: “We will strengthen digital infrastructure, accelerate digital transformation, narrow the digital divide, as well as cooperate on facilitating the flow of data and strengthening consumer and business trust in digital transactions’.*

- (7) Policy Options for Decarbonising Transportation in APEC (No. 48, September): This brief discussed five practical and proven policy options for vehicle electrification, which is the most effective and efficient solution to decarbonize transport: (1) reform vehicle supply regulations; (2) offer vehicle purchase incentives; (3) provide electric vehicle usage incentives; (4) develop charging infrastructure; and (5) educate, inform and reach out.

The brief was presented to Automotive Dialogue (AD) and Transportation Working Group (TPTWG), including the Land Experts’ Group.

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

- (8) Digital Technology and Global Integration: Opportunities for Innovative Growth (No. 49, September): This brief discussed the intersection between technology and GVC participation and upgrading in APEC economies. It looked at the Fourth Industrial Revolution (4IR) technologies and the innovation landscape in the region, and provided insights into the GVC participation of APEC economies and the role of technology in facilitating productive GVC participation and upgrading.

The brief was presented in an ABAC Chile webinar.

*This contributes to the economic driver of Innovation and Digitalisation with the following objective: 'To empower all our people and businesses to participate and grow in an interconnected global economy, we will foster an enabling environment that is, among others, market-driven and supported by digital economy and innovation'.*

- (9) Charting New Pathways for APEC: A Sustainable Future Inspired by the Bio-Circular-Green (BCG) Economy (No. 50, October): This brief explored how the BCG Economy is a useful guiding framework in developing holistic solutions to meet the challenges posed by climate change and many other regional challenges that are interlinked with it. It identified and discussed key drivers to support the transition towards a sustainable future inspired by the BCG Economy: the regulatory environment; technology and innovation; and stakeholder participation.

The brief contributed to advancing the understanding of the Bangkok Goals on Bio-Circular-Green (BCG) Economy, endorsed by APEC Leaders in 2022.

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

- (10) Putrajaya Vision 2040, COVID-19 and Information Disorder (No. 51, October): This brief examined the potential impact of information disorder on trust and policy implementation. Focusing on lessons from COVID-19, it provided empirical data and literature illustrating these linkages, showing that information disorder can slow down or hamper the implementation of inclusive policies such as equitable access to vaccines. It highlighted three broad policy responses for consideration by APEC economies.

The preliminary findings were presented to ASCC.

*This contributes to the economic driver of Strong, Balanced, Secure, Sustainable and Inclusive Growth with the following objective: 'We will intensify inclusive human resource development as well as economic and technical cooperation to better equip our people with the skills and knowledge for the future'.*

- (11) Artificial Intelligence in Economic Policymaking (No. 52, November): This brief explored how human policymakers can still get ahead of artificial Intelligence (AI) and ensure that it remains a tool for the greater good. It analyzed the benefits and limitations of using AI in policymaking and discussed policy options and opportunities for regional cooperation to ensure that the AI-augmented future remains human-centric.

*This contributes to the economic driver of Innovation and Digitalisation with the following objective: 'To empower all our people and businesses to participate and grow in an interconnected global economy, we will foster an enabling environment that is, among others, market-driven and supported by digital economy and innovation'.*

- (12) Trade Networks amid Disruption: Promoting Resilience through Digital Trade Facilitation (No. 53, November): This brief explored the role of digital trade facilitation in the wake of the COVID-19 pandemic. It highlighted the possible ways that digital trade facilitation could help promote stronger and more resilient value chains, and identified the key elements as well as policy approaches that policymakers could consider to successfully implement such digital solutions.

The brief was presented to CTI.

*This contributes to the economic driver of Trade and Investment with the following objective: 'We will promote seamless connectivity, resilient supply chains and responsible business conduct', and the economic driver of Innovation and Digitalisation with the following objective: 'To empower all our people and businesses to participate and grow in an interconnected global economy, we will foster an enabling environment that is, among others, market-driven and supported by digital economy and innovation'.*

- (13) Transitioning to a Sustainable Economy while Ensuring Inclusion (No. 54, December): This brief discussed the initiatives and various forms of a just transition in APEC economies, a framework that aims to maximize the advantages of transitioning to a low-carbon economy while promoting equity and inclusivity of vulnerable groups like women, the poor, workers, people with disabilities and Indigenous Peoples. It identified policy approaches to ensure inclusion as APEC builds a sustainable future for all.

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

### C. APEC in Charts

The PSU continues to produce APEC in Charts every year. This well-received publication illustrates the region's economic, trade, investment and policy-related performance using charts. The 2022 issue was published in time for the APEC Economic Leaders' Week in November. The next issue will be published in November 2023.

### D. StatsAPEC

The PSU maintains the APEC statistics portal, StatsAPEC ([statistics.apec.org](https://statistics.apec.org)), which contains data dating back to APEC's inception in 1989 and consists of the Key Indicators database and the Bilateral Linkages database. The portal has data for 2021 available for most indicators and APEC economies after the two updates in June and December 2022.

For outreach, the PSU gave a presentation on StatsAPEC for CTI during the third CTI plenary meeting. The PSU also provided one for EC in the first EC plenary meeting of 2023.

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

The PSU retains its previous role in the Enhanced APEC Agenda for Structural Reform (EAASR) Sub-Fund, which enters into operation this year. The PSU continues to provide advice and feedback on the concept notes submitted by APEC economies.

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

As tasked under the Implementation Plan of the ASCR, the PSU has been supporting GOS in monitoring the progress of the Roadmap. This year, the PSU provided technical input to GOS on a proposal on monitoring pandemic recovery under the ASCR, which was endorsed by Senior Officials. The PSU will support GOS in this work from 2023 to 2025.

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

The PSU has been tasked with supporting the Aotearoa Plan of Action (APA), endorsed by APEC Leaders in 2021. The task is: 'With assistance from the PSU, APEC economies will evaluate progress towards achieving the APEC Putrajaya Vision 2040. Committees will work with the PSU to identify relevant indicators that will support this evaluation'. The PSU will continue discussions with the committees on this subject.

## MANAGEMENT AND ACCOUNTABILITY

### ROLE AND STRUCTURE

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

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

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

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

PSU 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 2022 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.

### HUMAN RESOURCES

The human resource (HR) review for the PSU was completed in December 2021. Assigned by the PSU Board, the PSU prepared a paper on implementing key recommendations from the PSU HR review. The Board approved the three recommendations in the paper, including the adjustment of salaries for Researchers to the minimum of the new proposed salary structure in 2022. They also considered another paper prepared by the PSU on three cost simulation scenarios to adjust the salaries of all PSU staff to the new proposed salary structure. The issue will be reconsidered in 2023 due to a lack of consensus on one scenario.

## CONTRIBUTIONS IN 2022

APEC funding: The PSU received financial and in-kind contributions from the following APEC economies in 2022:

APEC economies	Contributions (in original currency)	Contributions (in SGD)
Financial contributions:		
Australia	AUD 550,000	536,943
China	USD 100,000	139,666
Japan	JPY 15,000,000, USD 416,664	733,115
Korea	KRW 283,000,000	301,028
New Zealand	NZD 200,000	180,845
The Philippines	PHP 1,150,000	27,166
Chinese Taipei	USD 200,000	282,632
Thailand	USD 46,000	62,217
United States	USD 400,000	558,664
In-kind contributions:		
Singapore	Office space	

External funding: The PSU received sponsorships from The Asia Foundation and Hinrich Foundation in 2022. (1) The Asia Foundation provided a grant of USD 72,500 to support student fellows and research on topics related to the digital economy. The balance 5% of the grant, or USD 3,625, was transferred in 2022. (2) Hinrich Foundation provided two sponsorships: the first supported two student fellows to work on trade, foreign direct investment and supply chain issues, while the second supported the research of the PSU on topics related to global value chains and digital trade facilitation. In 2022, SGD 11,400 and SGD 50,000 were disbursed to support the second student fellow and research, respectively.

**FINANCIAL STATEMENTS 2022****AUDITOR'S REPORT**

As required by the PSU Governance Arrangements, the auditor's report on the financial statements for the financial year ended 31 December 2022 is presented.



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

**ANNUAL REPORT**

**31 DECEMBER 2022**

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

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

**STATEMENT BY THE DIRECTOR**

In the opinion of the director, the accompanying financial statements which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of fund and statement of cash flows for the year then ended, with notes thereon, are drawn up in accordance with the Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respects, of the financial position of the APEC Policy Support Unit of Asia-Pacific Economic Cooperation (APEC) Secretariat (the "PSU") as at 31 December 2022 and of the financial performance, changes in fund and cash flows of the PSU.

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

The Sole Director



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Mr. Carlos Augusto Kuriyama Shishido  
Director

20 April 2023



Chartered Accountants of Singapore

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIA-PACIFIC ECONOMIC COOPERATION (APEC)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

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

*Opinion*

We have audited the financial statements of APEC Policy Support Unit of Asia-Pacific Economic Cooperation (APEC) Secretariat (the "PSU"), as at 31 December 2022, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of fund and statement of cash flows for the year then ended, and notes to the financial statements, including a 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 present fairly, in all material respects of the financial position of the PSU as at 31 December 2022 and of the financial performance, changes in fund and cash flows of the PSU for the year ended on that date.

*Basis for Opinion*

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

*Responsibilities of Management and Director for the Financial Statements*

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

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIA-PACIFIC ECONOMIC COOPERATION (APEC)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)***Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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



Chartered Accountants of Singapore

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ASIA-PACIFIC ECONOMIC COOPERATION (APEC)  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Koo Kah Yee.

A handwritten signature in blue ink, appearing to read "Koo Kah Yee".

**PRIME ACCOUNTANTS LLP**  
Public Accountants and  
Chartered Accountants

Singapore,

20 April 2023

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	4	694	3,797
Right-of-use asset	5	7,251	-
		7,945	3,797
<b>Current asset</b>			
Contribution receivables	6	27,166	30,814
Other receivables	7	64,499	6,370
Prepayments	8	8,926	13,708
Cash and short-term deposits	9	11,326,161	11,349,344
		11,426,752	11,400,236
<b>Total Assets</b>		<b>11,434,697</b>	<b>11,404,033</b>
<b>FUNDS</b>			
Accumulated funds		11,353,934	11,227,812
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liability	10	5,936	-
<b>Current liabilities</b>			
Lease liability	10	1,330	-
Other payables	11	73,497	176,221
		74,827	176,221
<b>Total Liabilities</b>		<b>80,763</b>	<b>176,221</b>
<b>Total Funds and Liabilities</b>		<b>11,434,697</b>	<b>11,404,033</b>

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

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
<b>Revenue</b>	12	2,822,276	2,883,749
Other operating income/(expenses):	13		
Interest income from financial assets at amortised cost		81,945	10,869
Others		(22,940)	141,098
		59,005	151,967
Administrative expenses	14	(2,755,127)	(2,341,169)
Finance cost	10	(32)	-
Net surplus before tax		126,122	694,547
Income tax	15	-	-
<b>Net surplus for the year, representing total comprehensive income for the year</b>		<u>126,122</u>	<u>694,547</u>

**STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
<b>Balance as at 1 January</b>		11,227,812	10,533,265
Total comprehensive income for the year		126,122	694,547
<b>Balance as at 31 December</b>		<u>11,353,934</u>	<u>11,227,812</u>

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

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$ (Restated)
<b>Cash flows from operating activities</b>			
Surplus for the year		126,122	694,547
Adjustments for:			
Depreciation of plant and equipment		3,103	10,959
Depreciation of right-of-use asset		123	-
Interest income		(81,945)	(10,869)
Interest expenses		32	-
Unrealised exchange loss/(gain)		87,505	(139,700)
Operating cash flows before working capital changes		134,940	554,937
Change in working capital			
Contribution receivables		3,648	234,036
Other receivables		4,069	(3,121)
Other payables		(102,724)	21,693
Prepayments		4,782	(432)
		(90,225)	252,176
Net cash flows (used in)/generated from operating activities		44,715	807,113
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		-	(1,667)
Net cash flows generated from/(used in) investing activities		-	(1,667)
<b>Cash flows from financing activities</b>			
Interest paid		(32)	-
Payment of finance lease liability		(108)	-
Net cash flows used in financing activities		(140)	-
Net increase in cash and cash equivalents		44,575	805,446
Cash and cash equivalents at beginning of the year		3,282,889	2,427,851
Effect of changes in exchange rate on cash and bank balances		(51,840)	49,592
<b>Cash and cash equivalents at end of the year</b>	9	<u>3,275,624</u>	<u>3,282,889</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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

**1. General**

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

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

The principal activities of the PSU include the following:

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

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

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

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

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

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

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the PSU has adopted all the new and amended standards which are relevant to the PSU and are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the PSU.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(Continued)**

**2. Summary of significant accounting policies (Continued)**

**2.3 Standards issued but not yet effective**

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to FRS 1 <i>Presentation of Financial Statements</i> : Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to FRS 1 <i>Presentation of Financial Statements</i> and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to FRS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> : Definition of Accounting Estimates	1 January 2023
Amendments to FRS 12 <i>Income Taxes</i> : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to FRS 1 <i>Presentation of Financial Statements</i> : Non-current Liabilities with Covenants	1 January 2024

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

**2.4 Plant and equipment**

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(Continued)**

**2. Summary of significant accounting policies (Continued)**

**2.5 Financial instruments**

**(a) Financial assets**

**Initial recognition and measurement**

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

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

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

**Subsequent measurement**

*Investments in debt instruments*

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

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

**Derecognition**

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

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(Continued)**

**2. Summary of significant accounting policies (Continued)**

**2.5 Financial instruments (Continued)**

**(b) Financial liabilities**

**Initial recognition and measurement**

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

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

**Subsequent measurement**

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

**Derecognition**

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

**2.6 Impairment of financial assets**

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

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

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

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(Continued)**

**2. Summary of significant accounting policies (Continued)**

**2.7 Impairment of non-financial assets**

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

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

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

Impairment losses are recognised in profit or loss.

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

**2.8 Employee benefits**

**(a) Defined contribution plans**

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

**(b) Employee paid leave entitlement**

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

**2.9 Income Tax**

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(Continued)**

**2. Summary of significant accounting policies (Continued)**

**2.10 Leases**

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

**(a) As lessee**

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

***Right-of-use assets***

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

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

***Lease liabilities***

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

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

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(Continued)**

**2. Summary of significant accounting policies (Continued)**

**2.10 Leases (Continued)**

**(a) As lessee (Continued)**

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

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

**2.11 Cash and cash equivalents**

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

**2.12 Foreign currency translation**

**(a) Functional and presentation currency**

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

**(b) Transactions and balances**

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

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

**2.13 Provisions**

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(Continued)**

**2. Summary of significant accounting policies (Continued)**

**2.14 Revenue recognition**

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

**(a) Contribution from member economies**

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

**(b) Interest income**

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

**3. Significant accounting judgements and estimates**

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

**3.1 Judgements made in applying accounting policies**

*Determination of functional currency*

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

*Measurement of ECLs on contribution receivable*

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

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

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

**3.2 Key sources of estimation uncertainty**

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

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(Continued)

4. Plant and equipment

	Computer	Furniture and fittings	Office equipmen t	Software	Total
	\$	\$	\$	\$	\$
<b>At cost</b>					
At 1.1.2021	85,199	16,097	10,479	9,426	121,201
Additions	-	-	1,667	-	1,667
Disposal	-	-	(540)	-	(540)
At 31.12.2021 and 1.1.2022	85,199	16,097	11,606	9,426	122,328
Disposal	(20,129)	-	-	(9,426)	(29,555)
At 31.12.2022	65,070	16,097	11,606	-	92,773
<b>Accumulated depreciation</b>					
At 1.1.2021	72,762	15,446	10,478	9,426	108,112
Depreciation for the year	10,135	308	516	-	10,959
Disposal	-	-	(540)	-	(540)
At 31.12.2021 and 1.1.2022	82,897	15,754	10,454	9,426	118,531
Depreciation for the year	2,302	245	556	-	3,103
Disposal	(20,129)	-	-	(9,426)	(29,555)
At 31.12.2022	65,070	15,999	11,010	-	92,079
<b>Net book value</b>					
At 31.12.2022	-	98	596	-	694
At 31.12.2021	2,302	343	1,152	-	3,797

5. Right-of-use asset

	Office equipment \$
<b>Cost</b>	
At 01.01.2021, 31.12.2021 and 01.01.2022	-
Additions	7,374
At 31 December 2022	7,374
<b>Accumulated depreciation</b>	
At 01.01.2021, 31.12.2021 and 01.01.2022	-
Depreciation for the year	123
At 31 December 2022	123
<b>Net book value</b>	
At 31 December 2022	7,251
At 31 December 2021	-

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
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6. Contribution receivables

	2022 \$	2021 \$
Member economies	<u>27,166</u>	<u>30,814</u>

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

7. Other receivables

	2022 \$	2021 \$
GST recoverable	499	4,568
Interest receivable	<u>64,000</u>	<u>1,802</u>
	<u>64,499</u>	<u>6,370</u>

8. Prepayments

	2022 \$	2021 \$
Prepayments	<u>8,926</u>	<u>13,708</u>

9. Cash and short-term deposits

	2022 \$	2021 \$
Bank balances	3,275,624	3,282,889
Fixed deposits	<u>8,050,537</u>	<u>8,066,455</u>
	<u>11,326,161</u>	<u>11,349,344</u>

Fixed deposits are placed with financial institutions and earn interest at the rates ranging from 2.40% to 4.23% per annum (2021: 0.08% to 2.6%). The fixed deposits are on auto rollover and have maturity terms of 3 to 10 months (2021: 3 to 10 months) from the reporting date.

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

	2022 \$	2021 \$ (Restated)
Cash and short-term deposits	11,326,161	11,349,344
Less: Fixed deposits	<u>(8,050,537)</u>	<u>(8,066,455)</u>
	<u>3,275,624</u>	<u>3,282,889</u>

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10. Lease liabilities

	2022 \$	2021 \$
Non-current	5,936	-
Current	1,330	-
	<u>7,266</u>	<u>-</u>

The PSU entered into a lease arrangement for office equipment in November 2022, with a lease term of five years commencing from 1 December 2022. Reconciliation of movements of lease liabilities to cash flows arising from financing activities as below.

	1 January 2022	Cash Flows	Non-cash changes			31 December 2022
			Addition	Accretion of interest	Other	
	\$	\$	\$	\$	\$	\$
<b>Liabilities</b>						
<b>Lease liabilities</b>						
-Current	-	(140)	-	32	1,438	1,330
-non-current	-	-	7,374	-	(1,438)	5,936
	<u>-</u>	<u>(140)</u>	<u>7,374</u>	<u>32</u>	<u>-</u>	<u>7,266</u>

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

	2022 \$	2021 \$
Statement of comprehensive income:		
Depreciation of right of use asset	123	-
Interest expense	32	-
Lease expense not capitalised in lease liability:		
- Expense relating to lease of low-value asset*	<u>1,540</u>	<u>1,680</u>

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

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11. Other payables

	2022 \$	2021 \$
Accrued operating expenses	27,872	119,918
Provision for unutilised leave	45,625	56,303
	<u>73,497</u>	<u>176,221</u>

12. Revenue

	2022 \$	2021 \$
Australia	536,943	553,710
China	139,666	-
Hong Kong, China	-	336,924
Japan	733,115	737,068
Korea	301,028	375,944
New Zealand	180,845	172,364
The Philippines	27,166	30,814
Chinese Taipei	282,632	136,025
Thailand	62,217	-
United States	558,664	540,900
	<u>2,822,276</u>	<u>2,883,749</u>

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

13. Other operating income/(expense)

	2022 \$	2021 \$
Other operating income:		
Fixed deposit interest	81,945	10,869
Foreign currency exchanges gain	-	135,264
Gain in disposal of plant and equipment	-	525
Others	66,969	5,309
	148,914	151,967
Other operating expenses:		
Foreign currency exchanges loss	(89,909)	-
	<u>59,005</u>	<u>151,967</u>

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**14. Administrative expenditure**

	2022 \$	2021 \$
Accountancy fee	6,000	6,000
Advertising fee	1,680	-
Audit fee	4,180	4,180
Bank charges	2,400	1,338
Consultants and research fee	626,858	394,166
Data subscription	1,149	8,045
Depreciation expense	3,226	10,959
General expenses	21,678	12,921
Insurance	22,553	22,176
Medical fee	1,740	1,668
Newspaper and periodical	2,108	1,559
Office and building maintenance	37,880	38,417
Printing and stationery	11,556	5,127
Professional fee	-	11,835
Postage and courier	575	85
Lease expense – office equipment	1,540	1,680
Telecommunication	3,002	2,135
Transportation	1,417	806
Travelling expenses	67,636	3,386
Utilities	2,715	1,823
	819,893	528,306
Staff cost*:		
CPF and SDL	62,536	67,040
Salaries and bonuses	1,643,726	1,519,760
Staff welfare	228,972	226,063
	1,935,234	1,812,863
Total expenses	2,755,127	2,341,169

\*Included in staff cost, an amount of \$444,511 (2021: \$428,836) being the total remuneration paid to a key management personnel of the PSU.

**15. Income tax**

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

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**16. Low-value lease commitment**

As disclosed in Note 10, the PSU had lease which had applied the “lease of low-value asset” recognition exemptions for this lease.

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

	2022 \$	2021 \$
Payable within 1 year	-	1,680
Payable after 1 year	-	420
	<u>-</u>	<u>2,100</u>

**17. Financial Risk Management**

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

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

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

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

**(a) Credit risk**

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

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

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

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

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(Continued)**

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

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

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

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

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

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

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

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

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

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

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(Continued)**

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

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

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

	Note	Category	12-month or lifetime ECL	Gross Carrying Amount \$	Loss Allowance \$	Net Carrying Amount \$
<b>31 December 2022</b>						
Contribution receivables	6	I	12-month ECL	27,166	-	27,166
Other receivables	7	I	12-month ECL	64,000	-	64,000
<b>31 December 2021</b>						
Contribution receivables	6	I	12-month ECL	30,814	-	30,814
Other receivables	7	I	12-month ECL	1,802	-	1,802

Contribution receivables

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

Other financial assets (other receivables and bank deposits)

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

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

**(b) Liquidity risk**

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

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17. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

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

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
<b>As at 31.12.2022</b>				
<b>Financial liabilities</b>				
Other payables	73,497	73,497	73,497	-
Lease liability	7,266	8,260	1,680	6,580
Total undiscounted financial liabilities	80,763	81,757	75,177	6,580
	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 2 to 5 years \$
<b>As at 31.12.2021</b>				
<b>Financial liabilities</b>				
Other payables	176,221	176,221	176,221	-
Total undiscounted financial liabilities	176,221	176,221	176,221	-

(c) Market risk

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

(i) Interest rate risk

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

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

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

(ii) Foreign currency risk

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(Continued)

17. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Foreign currency risk (Continued)

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

	2022 \$	2021 \$
In USD		
<b>Financial assets</b>		
Contribution receivables	27,166	30,814
Other receivables	43,480	1,382
Cash and cash equivalents	7,057,107	7,212,883
	<u>7,127,753</u>	<u>7,245,079</u>

A 1% (2021: 5%) strengthening of Singapore dollar against the foreign currency denominated balances as at the reporting date would decrease surplus for the year, by the amounts shown below. This analysis assumes that all other variables remain constant.

	Impact to surplus for the year	
	2022 \$	2021 \$
Financial assets	<u>(71,278)</u>	<u>(362,254)</u>

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

18. Fair Value

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022  
(Continued)

**19. Comparative Figures**

The statement of the cash flows for the previous year ended 31 December 2021 has been restated as to conform with underlying cash flows transactions in accordance with FRS 7 *Statement of Cash Flows* and current year's presentation as below.

	As previously presented	Reclassification	Restated
	\$	\$	\$
Cash flows from operating activities	947,959	(140,846)	807,113
Cash flows from investing activities	9,202	(10,869)	(1,667)
Cash and cash equivalents as at beginning of the year	10,392,183	(7,964,332)	2,427,851
Effect of changes in exchange rate	-	49,592	49,592
Cash and cash equivalents as at end of the year	11,349,344	8,066,455	3,282,889

Reclassification to exclude short-term deposit previously included in cash and cash equivalents balances, and the movement for the year being exchange difference and interest income from short-term deposit with maturity period more than 3 months from the year ended 31 December 2021.

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

The financial statements for the financial year ended 31 December 2022 were authorised for issue by the PSU's Director at date of the Statement by the Director.

**ADDITIONAL NOTE**

With reference to Notes to the Financial Statements for the Year Ended 31 December 2022, a breakdown of accrued operating expenses under Note 11 - Other payables is as follows:

**Accrued operating expenses**

	2022
	\$
2022 Q4 Expense Reimbursement (to APEC Secretariat)	11,167.45
2022 Q4 Professional Fees (to accountant, auditor and lawyer)	7,180.00
2022 Q4 Invoices (to vendors)	8,068.07
12/2022 Salary, Allowances and Manpower Levies (to staff)	<u>1,455.76</u>
Total	<u><u>27,871.28</u></u>

## ABOUT THE PSU

### ESTABLISHMENT AND MANDATE

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

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

### VISION, MISSION AND 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 to support the achievement of APEC Putrajaya Vision 2040, which APEC Economic Leaders endorsed in 2020 to guide APEC's work for the next twenty years, and the Aotearoa Plan of Action which was endorsed in 2021 to implement the Vision.

**PSU BOARD MEMBERS**

Ms Prinat Apirat, Thailand	PSU Board Chair (Current Host Economy), Contributing Economy
Ms Emily Fischer, USA	PSU Board Vice-Chair (Next Host Economy), Contributing Economy
Ms Rapunzel De Leon, New Zealand	Immediate Past Host Economy, Contributing Economy
Mr Ben Jarvis; and Mr James Dalton, Australia	Contributing Economies
Mr Zhang Guoqiang, China	
Ms Noel Ng; and Ms Joanie Fok, Hong Kong, China	
Mr Nobuo Kiriya, Japan	
Mr Ryu Ho-Kwon, Korea	
Mr Eric Tamayo, the Philippines	
Ms Chin Siew Fei; and Ms Yvonne Liu, Singapore	
Mr Yu-Chieh Wang, Chinese Taipei	
Dr Rebecca Fatima Sta Maria	
Dr Denis Hew	PSU Director
Mr Blake van Velden	CTI Chair
Mr James Ding	EC Chair
Dr Pornchai Thiraveja	SFOM Chair

**PSU STAFF MEMBERS**

Dr Denis Hew Wei Yen	PSU Director (until 31 December 2022)
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 (PSU Director from 1 January 2023)
Dr Akhmad Bayhaqi	Senior Analyst
Mr Emmanuel A. San Andres	Senior Analyst
Mr Andre Wirjo	Analyst
Ms Rhea Crisologo Hernando	Senior Researcher (from 1 March)
Ms Nguyen Thu Quynh	Researcher, Level 1 (from 24 January)
Mr Sylwyn C. Calizo Jr	Researcher, Level 1 (from 17 March)

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