



**Asia-Pacific  
Economic Cooperation**

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

# Annual Report 2017

**APEC Policy Support Unit**

April 2018

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The views expressed in this paper 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 2017.

Denis Hew  
Director  
APEC Policy Support Unit

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## PROJECTS AND ACTIVITIES

### OVERVIEW OF PROJECTS AND ACTIVITIES

Year 2017 was a watershed for the PSU – it was when APEC Ministers granted it an ongoing mandate which takes effect on 1 January 2018. It also marked the tenth year since APEC Ministers gave the nod to set up the unit in 2007. The ongoing mandate provides the much needed stability particularly since the PSU has been entrusted with responsibilities spanning a longer time horizon. A case in point is monitoring and assessing progress of key APEC initiatives over a certain time period.

A number of such assessments and related work were undertaken in 2017, namely on APEC Ease of Doing Business, the Investment Facilitation Action Plan, the Bogor Goals Dashboard, and the Women and the Economy Dashboard. The PSU also provided baseline indicators for use in monitoring the progress of the APEC Services Competitiveness Roadmap (ASCR) as well as potential targets for Phase II of the APEC Supply Chain Connectivity Framework Action Plan (SCFAP II). Although the mid-term review of the Renewed APEC Agenda for Structural Reform (RAASR) will only be due in 2018, work has already started on it.

As a contribution to APEC 2017 priorities, the PSU provided technical inputs in the development of the APEC Action Agenda on Advancing Economic, Financial and Social Inclusion which was endorsed by APEC Leaders. APEC Ministers also welcomed the completion of a number of PSU studies as well as the APEC Best Practices for Promoting Supporting Industry which was formulated based on a PSU study on supporting industry promotion policies.

The PSU took on a new role this year – as a member of the RAASR sub-fund assessment group, specifically to provide advice and feedback on concept notes. Apart from the abovementioned, other deliverables for the year included the following:

- For Senior Officials' Meeting (SOM): a culmination of 14 case studies in a voluminous report on partnerships for the sustainable development of cities in the region.
- For the Committee on Trade and Investment (CTI): an annual report on the trends and developments in provisions and outcomes of RTA/FTAs implemented by APEC economies; sector studies and workshop on environmental services; studies on key issues in promoting digital trade and barriers facing MSMEs in e-commerce; a two-phased study on the costs and benefits of applying global data standards in cross-border supply chains; and as ad-hoc review team secretariat to the peer review and capacity building mechanism on APEC infrastructure development and investment.
- For the Economic Committee (EC): the APEC Economic Policy Report 2017 on structural reform and human capital development.
- Biannual reports on APEC Regional Trends Analysis, with theme chapters addressing (i) the good and bad of globalization, and (ii) declining labor share and the challenge of inclusion.
- Annual issue of APEC in Charts.

There are other projects in various stages of progress; three are nearing completion while another five are in the initial stage. In the pipeline are also a number of potential projects.

APEC groups acknowledged the work by the PSU. Five years in a row, they rated the PSU reports and papers of good quality and useful and reported using them for various purposes. Feedback and impressions on the PSU's work also remained positive.

Outreach continued to be a focus for the PSU. Besides publishing the reports and publications in electronic form and a few others in print, they were widely disseminated through the PSU mailing list as well as the various communications tools of the APEC Secretariat. Staff of the PSU also became the spokespersons for their work by participating in events internal and external to APEC. The Secretariat remained a valuable resource to the PSU in media and outreach activities.

The efforts by the PSU bore fruit and have attracted much attention. Cities Alliance, part of the UN Office for Project Services, had sought to jointly publish a PSU report and launch it at the 9<sup>th</sup> Session of the World Urban Forum (WUF). The WUF is the world's premier forum on urban issues convened by the UN-Habitat. Others invited the PSU to contribute papers to their publications, among them were the Philippine Institute for Development Studies and UNESCAP. The PSU contributed a book chapter that was published by the Cambridge University Press as well as articles for the online journal of the Australian APEC Study Centre at RMIT University. Academic institutions and private sector also approached the PSU on research possibilities.

External relations were strengthened this year. A dialogue between the Secretariats of APEC and ASEAN was organized to apprise each other on regional integration initiatives and monitoring and assessment. That engagement continued throughout the year primarily through participating in each other's events. Closer relations were forged with the OECD where a number of meetings took place including one with their Secretary-General, Mr Angel Gurría. A tangible outcome was achieved when the OECD economists contributed a piece to the APEC Regional Trends Analysis, November 2017 issue. Relations with other organizations were maintained, including with the ADB, ADBI, ERIA, IMF, PECC International Secretariat, UNESCAP and World Bank. Google Asia Pacific, for the second consecutive year, sponsored internship in the PSU.

On the institutional front, the mid-term review of the PSU in 2017 became a turning point when one of its recommendations led to the granting of an ongoing mandate to the PSU, replacing the previous fixed-term mandate. This was akin a stamp of approval; a recognition that the PSU is now very much part of the APEC family.

Ten years have passed since the decision to set up the unit and nine years since it started operations. The PSU is able to come this far because of the unwavering support, commitment and goodwill from APEC member economies, particularly the PSU Board and member economies who have contributed both financially and non-financially to the PSU; more importantly, their conviction in the importance of the PSU.

In the coming years, the PSU will work closely with the PSU Board, the Secretariat and member economies to move forward in implementing the other recommendations from the mid-term review. These include the development of a performance framework and new strategic plan, and exploring further integration opportunities with the Secretariat and the longer-term financial sustainability of the unit. The PSU also looks forward to supporting member economies in the process of articulating a vision for APEC beyond 2020.

## COMPLETED PROJECTS IN 2017

### For Senior Officials (SOM)

#### **A. Partnerships for the Sustainable Development of Cities in the APEC Region**

This second study by the PSU was undertaken in response to APEC Ministers' call in 2014 to continue its study on regional urbanization. The study, which culminated in a voluminous report, was welcomed by Ministers during their recent meeting in Da Nang. The report gathered and condensed lessons from 14 case studies in the region, covering: (1) Auckland, New Zealand; (2) Bandung, Indonesia; (3) Bangkok to Ho Chi Minh Corridors; (4) Brisbane Metropolitan Region, Australia; (5) Beijing-Tianjin-Hebei (Jing-Jin-Ji) Region; (6) City of Kitakyushu, Japan; (7) Metropolitan Lima, Peru; (8) Metro Manila, the Philippines; (9) Mexico City Region, Mexico; (10) Pearl River Delta, China; (11) Santiago, Chile; (12) Seoul, Korea; (13) Taipei Metropolitan Area, Chinese Taipei; and (14) Vancouver, Canada and Seattle, USA.

The report attracted the interest of Cities Alliance who sought collaboration with the PSU to co-publish and launch it during World Urban Forum 9. Organized by UN-Habitat, the event will take place in Kuala Lumpur in February 2018.

#### **B. APEC Services Competitiveness Roadmap (ASCR) Baseline Indicators**

In the ASCR Implementation Plan 2016-2025, the PSU was tasked to report on the statistics and indicators that would be needed to monitor progress under the Roadmap and to work with the fora responsible in each area. In fulfilling this task, the PSU reached out to a total of 16 fora and worked with them to identify indicators that could be used to measure progress in their respective areas. The fora consisted of: AHSGIE, BMG, CTI, EC, ECSG, EWG, GOS, HRDWG, IEG, PPFS, PPSTI, TPTWG, TWG, SFOM, SMEWG, and TELWG<sup>1</sup>. Throughout the process, the PSU worked closely with GOS who has been mandated to support Senior Officials in tracking implementation of the Roadmap. The product of this work was presented to Senior Officials in a report containing baseline indicators that APEC could use to monitor progress of ASCR implementation and for the mid-term review and final review in 2021 and 2025, respectively.

#### **C. APEC's Bogor Goals Dashboard, 2017**

Updating the Bogor Goals Dashboard for SOM and CTI has been an annual assignment of the PSU since 2012. Comprising 22 dashboards, one for the APEC region and one for each of the 21 APEC member economies, the purpose was to show the evolution across time certain aspects of trade and investment liberalization and facilitation through the use of harmonized indicators. The next update for the Dashboard will be in 2018.

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<sup>1</sup> AHSGIE = Ad Hoc Steering Group on the Internet Economy; BMG = Business Mobility Group, CTI = Committee on Trade and Investment; EC = Economic Committee; ECSG = Electronic Commerce Steering Group; EWG = Energy Working Group; GOS = Group on Services; HRDWG = Human Resources Development Working Group; IEG = Investment Experts' Group; PPFS = Policy Partnership on Food Security; PPSTI = Policy Partnership on Science, Technology and Innovation; TPTWG = Transportation Working Group; TWG = Tourism Working Group; SFOM = Senior Finance Officials' Meeting; SMEWG = Small and Medium Enterprises Working Group; and TELWG = Telecommunications and Information Working Group.

## For Committee on Trade and Investment (CTI)

### **D. Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2016 by APEC Economies**

This was the third annual report produced by the PSU for the APEC Information Sharing Mechanism on RTA/FTAs. In this report, the PSU analyzed four RTA/FTAs that were put in force by at least one APEC economy in 2016, namely: (1) Japan-Mongolia; (2) Korea-Colombia; (3) Pacific Alliance; and (4) Viet Nam-EAEU. The chapters analyzed in these RTA/FTAs were investment, customs, e-commerce, and government procurement. The PSU presented the report at the SOM Dialogue on RTAs/FTAs in Ho Chi Minh City in August 2017. The next report will be prepared in 2018.

### **E. Review of External Indicators to Monitor Progress for the APEC Supply Chain Connectivity Framework Action Plan (SCFAP) II**

The PSU provided technical support to CTI, particularly Friends of the Chair on Trade Facilitation, in developing the monitoring framework for SCFAP Phase II 2017-2020 which was endorsed by Ministers in 2017. Additional support was provided in the form of reviewing and proposing potential targets for APEC based on external indicators included in the monitoring framework. Those targets were aspirational in view of the diverse domestic environment and different stages of development across APEC economies. For some external indicators, the average figures for OECD were presented alongside with APEC to give a regional perspective.

### **F. Case Study on Supporting Industry Promotion Policies in APEC - APEC Supporting Industry Initiative**

In support of the APEC Supporting Industry Initiative by CTI, the PSU conducted case studies to gather policy experiences of APEC economies in promoting competitive, highly-skilled and modern supporting industries. Case studies on Australia; Mexico; and Viet Nam were conducted. Besides case study reports on each economy, the PSU also condensed the policy experiences of these economies into a synthesis report which examined their motivations and policies for developing supporting industries, the key takeaways and what can be done to improve the quality of policies for promoting supporting industry among APEC economies.

The case studies were presented at the APEC Policy Seminar on Promoting Supporting Industries in Nha Trang in February 2017. Findings from these case studies also contributed to the formulation of the “APEC Best Practices for Promoting Supporting Industry in the Asia-Pacific Region” which Ministers welcomed and encouraged information sharing and related capacity building activities.

### **G. Workshop and Sector Studies on Environmental Services**

The PSU had been supporting CTI in the implementation of the Environmental Services Action Plan (ESAP), starting with a survey of regulatory and/or policy measures on services under CPC Division 94 in APEC economies which was completed the year before. In 2017, the PSU progressed implementation with a workshop on environmental services and sector studies on environmental services.

The workshop, co-organized by Japan Ministry of Economy, Trade and Industry, the PSU, and the PECC International Secretariat, took place in Ha Noi in May 2017. It featured presentations by industry experts and business representatives on specific industries related to environment – water business, refuse disposal and recycling, environmental damage remediation services, and renewable energy business. The PSU also shared findings from the three sector studies on renewal energy, energy efficiency, and remediation services.



#### **H. Facilitating Digital Trade for Inclusive Growth: Key Issues in Promoting Digital Trade in APEC (Issues Paper)**

Following APEC Ministers' instruction in 2015 to implement the activities in the Work Plan for Advancing Facilitating Digital Trade for Inclusive Growth as a Potential Next Generation Trade and Investment Issue, CTI tasked the PSU to conduct an independent research on digital trade. The purpose was to enhance understanding of the scope of digital trade in the APEC region; explore opportunities and challenges facilitating digital trade presents for various stakeholders including SMEs; and identify potential building blocks of digital trade. The issues paper on "Facilitating Digital Trade for Inclusive Growth: Key Issues in Promoting Digital Trade in APEC" (Issues Paper No. 12) was the output from that research.

The research by the PSU helped progress this issue in CTI; providing inputs first to the Next Steps for advancing work on digital trade in 2017 and recently to the Work Plan to identify building blocks to facilitate trade for 2018. The PSU also contributed actively to the discussion by participating in the CTI trade policy dialogues on digital trade; one in Lima in August 2016 and the other in Ha Noi in May 2017.

#### **I. Promoting E-commerce to Globalize MSMEs**

As a contribution to the CTI initiative on Promoting E-commerce to Globalize MSMEs, the PSU conducted a study to identify the constraints faced by MSMEs to participate in e-commerce, particularly cross-border e-commerce. Focused group discussions were conducted with major e-commerce stakeholders in five APEC economies, namely Brunei Darussalam; China; Malaysia; Korea; and Chinese Taipei. The PSU also gathered the perspectives from players in the e-commerce value chain in Singapore. Besides identifying and addressing the barriers and difficulties, including legal and regulatory ones that hamper MSMEs' cross-border e-commerce participation, the study also provided recommendations to guide capacity building plans. The findings were presented at the Symposium on APEC 2018 Priorities and SOM Policy Dialogue on the Digital Economy, held in Port Moresby in December 2017 and March 2018, respectively.

#### **J. Study on the Application of Global Data Standards (GDS) for Supply Chain Connectivity: Phase 1 and Phase 2**

To advance work on GDS as directed by Ministers in 2014 and together with CTI, the PSU studied the costs and benefits of applying GDS in the supply chains through the tracking of GDS pilot projects. The study was conducted over two phases - phase one covered the cross-border shipments of: (1) wine from Australia to Hong Kong, China, and (2) beef from Australia to the US; and phase 2 covered the shipments of: (1) asparagus from Peru to the US, (2) durian from Malaysia to China and Hong Kong, China, and (3) tequila from Mexico to the US.

Findings were presented at the CTI Workshop on GDS in Ho Chi Minh City in August 2017. Apart from addressing costs and benefits, the study also identified the drivers and challenges of GDS adoption, and suggested a few approaches to explore the wider use of GDS. APEC Ministers during their recent meeting also encouraged officials to explore the wider use of interoperable GDS in the region besides welcoming the conclusion of the study.

#### **K. Peer Review and Capacity Building on APEC Infrastructure Development and Investment (Reviewed Economy: The Philippines)**

The PSU was tasked to support this CTI initiative which aims to contribute to the implementation of the APEC Multi-Year Plan on Infrastructure Development and Investment and APEC Connectivity Blueprint. Based on the reference guide which was developed to implement the peer review and capacity building mechanism, the PSU took on the role of ad-hoc review team secretariat while Japan was the facilitating economy and the Philippines was

the reviewed economy (first economy to be reviewed) in 2016. Specifically, the Department of Public Works and Highways was the focus of review.

As the review team secretariat, the PSU helped to set up a review team comprising technical experts to conduct the peer review and identify capacity building needs of the reviewed economy. The PSU also assisted the review team throughout the review process, including during the document based review and review visits and contributed to the final report. The PSU subsequently participated in a capacity building workshop for the Philippines organized by Japan which took place in Manila in December 2017.

In the same year, the PSU begun the peer review process for the second reviewed economy, Viet Nam.

#### For Economic Committee (EC)

##### **L. APEC Economic Policy Report (AEPR) 2017: Structural Reform and Human Capital Development**

For the second consecutive year, the PSU took on a key role in preparing AEPR, a flagship publication for EC. With structural reform and human capital development as the theme, the PSU worked closely with a core team formed specifically for this report as well as renowned economist, Dr Anne Krueger. The report began with an introduction where the PSU looked at the disruption caused by globalization and changing technology as well as the linkages between structural reform and human capital development. The main section examined how structural reform can improve labor productivity, improve labor force participation and inclusion, improve adaptability, active labor market policies, and facilitate connectivity. The PSU also included in the analysis individual economy reports provided by APEC members and case studies on Indonesia and Viet Nam. The report concluded with some policy recommendations.

AEPR 2017 was welcomed by Ministers, who also approved the topic on structural reform and infrastructure for AEPR 2018. EC has requested the PSU to continue support to AEPR.

##### **M. APEC's Ease of Doing Business (EoDB): Interim Assessment 2015-2016**

This interim assessment served two purposes: one, it established the baseline values that would be used to evaluate APEC's combined progress for the period 2016-2018 under the Second EoDB Action Plan; and two, it examined the progress of the APEC region during 2016 in the five EoDB priority areas. The priority areas are: (1) Starting a Business; (2) Dealing with Construction Permits; (3) Getting Credit; (4) Trading Across Borders; and (5) Enforcing Contracts. Examining average values in the indicators of these areas showed that APEC's combined progress in 2016 was equal to 3.6%, exceeding the pro-rata target of 3.3%. The greatest progress was recorded in Getting Credit.

The next assessment, to be carried out in 2018, will look at the progress made during 2017.

#### For Investment Experts' Group (IEG)

##### **N. Investment Facilitation Action Plan (IFAP) Implementation to Facilitate FDI in APEC: Updates in 2016**

The PSU last assessed the implementation of IFAP for the period 2013-2014. This review was undertaken following IEG's decision in 2015 to continue implementing the existing three IFAP priority themes on: (1) e-transparency; (2) reducing investor risk; and (3) simplifying business regulation. At IEG's request, the PSU analyzed the implementation of IFAP for the period 2015-2016. The findings showed that APEC implementing economies had stepped up efforts to put in place mechanisms to facilitate and promote investments. A need remained

however, to continually look for ways to enhance existing systems and regulations so as to make the investment process more transparent, more convenient and less risky for both domestic and foreign investors.

#### For Policy Partnership on Women and the Economy (PPWE)

##### **O. APEC Women and the Economy Dashboard 2017**

The APEC Women and the Economy Dashboard is an initiative of PPWE which aims to measure the progress of women's participation in economic-related activities and women's inclusion in several aspects of life. Tasked by PPWE, the PSU completed the first dashboard in 2015. The 2017 dashboard included new data from the last three years (2014 to 2016) on the five areas of: (1) access to capital and assets; (2) access to markets; (3) skills, capacity-building and health; (4) leadership, voice and agency; and (5) innovation and technology. The dashboard showed mixed results; there was progress in areas such as health and access to infrastructure, but setbacks or big gaps in areas like non-discrimination in employment, conditions for career advancement, and participation of women in science, technology, engineering and mathematics.

#### Others

##### **P. Technical Assistance**

The PSU provided technical inputs during the development of the APEC Action Agenda on Advancing Economic, Financial and Social Inclusion in the APEC Region. The Action Agenda was endorsed by APEC Leaders in Da Nang in November 2017.

##### **Q. Capacity Building**

The PSU participated in the following capacity building programs, namely:

- (1) APEC Capacity Building Workshop, Preparing for PNG's 2018 Host Year: Evolution of Policy Initiatives in APEC, Chairing APEC Fora and Developing High-Level Statements and Declarations, Port Moresby, 29-30 March 2017
- (2) APEC Capacity Building Workshop, Addressing Structural Barriers to Human Resource Development, Kuala Lumpur, 14-16 November 2017

##### **R. Support to Event Organization**

The PSU supported CTI and EC in a number of events this year, namely:

- (1) CPLG Seminar on Economics of Competition Policy, Nha Trang, 22-23 February 2017: The PSU provided technical advice and worked with CRESSE in organizing the seminar.
- (2) Policy Discussion on New Approaches to Competition Policy (EC1 Plenary Meeting), Nha Trang, 27 February 2017: The PSU helped to organize as well as chaired the policy discussion.
- (3) Panel on Regional Economic Outlook and Trends (EC1 Plenary Meeting), Nha Trang, 27 February 2017: The PSU helped to organize the panel and together with invited speakers from ADB and CIEM, spoke about the economic outlook in the APEC region.

- (4) CTI Workshop on Environmental Services, Ha Noi, 11 May: The PSU co-organized the workshop with Japan and the PECC International Secretariat, and moderated the session on key issues in environmental services trade and the panel session.
- (5) Session on Regional Economic Outlook (EC2 Plenary Meeting), Ha Noi, 25 August 2017: The PSU with PECC presented the latest economic trends and outlook for the APEC region.

## S. Participation in Policy Discussions and Dialogues

The PSU participated in the following SOM-level events this year:

- (1) Multi-Stakeholder Dialogue on APEC Toward 2020 and Beyond, Ha Noi, 16 May 2017: The PSU spoke about the second-term review of the Bogor Goals and the challenges ahead, and also participated in one of the focus group discussions.
- (2) SOM Dialogue on RTAs/FTAs, Ho Chi Minh City, 27 August 2017: The PSU presented the annual report on trends and developments in provisions and outcomes of RTA/FTAs that were put in place in 2016.
- (3) Symposium on Advancing Economic, Financial and Social Inclusion in APEC, Ho Chi Minh City, 28 August 2017: The PSU moderated the panel on social inclusion; participated as a member in the panel on advancing APEC agenda on inclusion; and summarized the recommendations at the conclusion of the symposium.

The PSU was also involved in a number of APEC dialogues, including:

- (4) CTI Trade Policy Dialogue on Digital Trade, Ha Noi, 12 May 2017: The PSU presented the findings from the digital trade study.
- (5) High Level Policy Dialogue on Human Resources Development, Ha Noi, 15 May 2017: The PSU spoke about skills development in the digital age and on human capital development.
- (6) 3<sup>rd</sup> APEC Public-Private Dialogue on Advancing Trade Facilitation and Supply Chain Connectivity through APMEN, Ha Noi, 19 May 2017: The PSU spoke about the assessment of SCFAP.
- (7) APEC Customs-Business Dialogue, Ho Chi Minh City, 22 August 2017: The PSU addressed the topic of SCFAP, phases I and II.
- (8) Policy Dialogue on Bridging Gap in Economic Development and Integration of Remote Areas for Sustainable Growth in the APEC Region, Ho Chi Minh City, 24 August 2017: The PSU spoke on the topic of development and connectivity in remote areas, and moderated the session on activities related to remote areas development in APEC.

Apart from the above, the PSU delivered a speech at the annual APEC Study Centers Consortium Conference (Ha Noi, May 2017), and participated in the ABAC Asia-Pacific Forum on Financial Inclusion (Hoi An, July 2017) as well as in various APEC meetings and events.

## CURRENT PROJECTS - DISCRETE

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

#### **A. Peer Review and Capacity Building on APEC Infrastructure Development and Investment (Reviewed Economy: Viet Nam)**

After the Philippines, Viet Nam has been identified as the second reviewed economy under the peer review and capacity building mechanism of CTI. The PSU continues to take on the role of an ad-hoc review team secretariat and Japan remains as the facilitating economy. Similar to the first peer review, the PSU helped to establish a review team and has been assisting the team in document based review, review visits, and compilation of reports. The project is expected to conclude in the first half of 2018.

#### **B. Study on Single Window Systems' (SWS) International Interoperability - Key Issues for its Implementation**

This study, tasked by CTI, aims to contribute to APEC economies' efforts to implement and achieve international interoperability of SWS in the region. Besides addressing key issues for implementing SWS international interoperability, it will serve as a means to promote discussions on establishing pilot projects on a voluntary basis which APEC Ministers in 2016 have encouraged economies to begin deliberations based on outcomes of the study. The PSU has completed a survey on the progress of APEC economies in establishing SWS interoperability, and is currently developing several case studies to discuss key issues in designing or implementing interoperability of single windows. The study will be completed in the first half of 2018.

### For Sub-Committee on Standards and Conformance (SCSC)

#### **C. Developing Indicators to Assess the Strength of Standards and Conformance (S&C) Infrastructure in APEC**

The PSU undertook this study at the request of SCSC to measure the level of S&C infrastructure across APEC member economies. The aim is to develop a framework that can help APEC members to identify strengths and areas for improvement in their S&C infrastructure in order to support the growth of industry and enterprises. Results from the study are expected to guide SCSC in developing initiatives to improve the capability and capacity of APEC members in S&C. As part of the study, the PSU conducted a survey and case studies on five APEC economies, namely Australia; China; Japan; Singapore; and Viet Nam. The study is expected to conclude in April 2018.

#### **D. Other Projects**

The PSU has begun preparatory work on a number of projects which will be fully underway in 2018, namely:

- (1) Mid-term Review of the Renewed APEC Agenda for Structural Reform (RAASR) 2016-2020
- (2) APEC's Bogor Goals' Progress Reports and Dashboards
- (3) APEC's Ease of Doing Business: Interim Assessment 2016-2017
- (4) Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2017 by APEC Economies
- (5) Case Studies on Addressing Connectivity Challenges in APEC Economies

Preliminary discussion on a few potential projects for next year has also taken place. The APEC Economic Policy Report (AEPR) 2018, which will focus on structural reform and infrastructure, is one of them.

## CURRENT PROJECTS - ONGOING

### A. APEC Regional Trends Analysis

APEC Regional Trends Analysis is a biannual report of the PSU. The first report featured a theme chapter on “Globalization: The Good, the Bad, and the Role of Policy”. It discussed the two sides of globalization and the need for complementary policies to ensure inclusiveness and sustainability in order to maximize the benefits of globalization. The second chapter on “Global Economic Momentum and Optimism Fuelling Near-term Growth” revealed that sustained strength in domestic private and government consumption continued to fuel APEC’s growth, with the region expanding by 3.5% in 2016. While a higher growth trajectory was forecast for both the APEC region and the world, there remained significant uncertainty about trade, monetary and fiscal policies which could give pause to trade and investment activity, adversely affecting economic growth.

The second report discussed who gains from economic growth and how this growth could be made more inclusive. The theme chapter on “Declining Labor Share and the Challenge of Inclusion” found that the labor share of GDP—an indicator of inclusiveness in an economy—has been on a downward trend over the past two decades. Apart from domestic issues, it identified technological change and globalization as catalysts of change in global labor markets and declining labor shares. The other chapter on “APEC Grows Faster amid Global Policy Uncertainty” examined recent economic performance in the region. It found that APEC was a driver of global growth with output in the region expanding by 3.9% in the first half of 2017. While near-term growth expectations were positive, policy uncertainties on trade and liquidity presented downside risks to future growth.

The second report involved a collaboration with OECD who contributed a piece on decoupling of real median wages from productivity for a number of APEC economies. The PSU will continue to seek out contributions from other international and regional organizations, particularly those working on complementary research areas for future reports.

### B. PSU Policy Brief Series

The PSU published three policy briefs in 2017:

- (1) Policy Brief on Trade of Fishery Products and Fisheries Subsidies in APEC (No. 16, January 2017): This policy brief looked at the trend of trade in fishery products as well as various trade measures, including tariffs and non-tariff measures (NTMs). It also discussed the current situation of fisheries subsidies within the APEC region and their implications on the sustainability of fish stocks.
- (2) Policy Brief on Import Licensing Regimes: An APEC Snapshot and Considerations for their Use (No. 17, January 2017): This policy brief gave a snapshot on the use of import licensing in the APEC region, and the motivations and costs for implementing such licenses. It then discussed policy recommendations including alternatives that the governments can put in place to achieve the objectives behind import licensing, yet in a less trade distortive way.
- (3) NTMs in ICT Products (No. 18, April 2017): This policy brief provided an insight into the trade of ICT products in the APEC region and the types of NTMs most commonly affecting these products, citing in some cases real examples of how trade flows were affected after the introduction of a specific NTM. Policy alternatives to NTMs were also covered.

Another two policy briefs will be published in early 2018: one on identifying green, sustainable and innovative MSMEs, and the other addressing e-commerce and MSMEs.

**C. StatsAPEC**

Initiated by the PSU, StatsAPEC ([statistics.apec.org](http://statistics.apec.org)) was launched in July 2010 as APEC's first statistics portal with data dating back to APEC's inception in 1989. Using data from over 30 data providers, StatsAPEC consists of the Key Indicators Database and Bilateral Linkages Database. The PSU updates the portal two times a year. In 2017, data updates occurred in June and December 2017, with data for 2016 currently available for most indicators and APEC economies.

**D. APEC in Charts**

The PSU launched APEC in Charts in 2013 to depict the APEC region's economic, trade, investment and policy-related performance through the use of charts. This year's issue - APEC in Charts 2017 - was distributed during the 2017 APEC Economic Leaders' Week in Da Nang. The next issue will be ready by November 2018.

**E. RAASR Sub-Fund Assessment Group**

Starting 2017, the PSU has been involved in providing advice and feedback on concept notes, as part of the assessment group for the Renewed APEC Agenda for Structural Reform (RAASR) Sub-Fund. This is the PSU's first formal involvement in an assessment group.

## **MANAGEMENT AND ACCOUNTABILITY**

### **ROLE AND STRUCTURE**

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

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

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

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

PSU research professionals are contracted employees, recruited on merit through an internationally competitive selection process. Information on the PSU Board members and PSU staff members in 2017 are set out in the 'About the PSU' section in this annual report.

### **KEY RESPONSIBILITIES**

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

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

### **CONTRIBUTIONS IN 2017**

The PSU is very grateful to all contributing economies for their contributions in 2017. The PSU received the following financial contributions in 2017:

- Australia: AUD 550,000
- Japan: JPY 37,518,600 and SGD 288,100
- Korea: USD 350,000
- New Zealand: NZD 120,000
- Singapore: SGD 63,920.28
- Chinese Taipei: USD 50,000
- United States: USD 400,000

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



**FINANCIAL STATEMENTS 2017**

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

**APEC POLICY SUPPORT UNIT (PSU)**

**ANNUAL REPORT**

**31 DECEMBER 2017**

**UNITY ADVANCE LLP**  
Chartered Accountants  
Singapore

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

**CORPORATE DATA**

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|                          |  |
|--------------------------|--|
| <b>Director</b>          | Dr. Hew Wei Yen (Denis Hew)                    |
| <b>Registered office</b> | 29 Heng Mui Keng<br>#09-01<br>Singapore 119620 |
| <b>Bankers</b>           | DBS Bank Limited                               |
| <b>Auditors</b>          | UNITY ADVANCE LLP                              |

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# UNITY ADVANCE LLP

Chartered Accountants of Singapore

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Singapore 079716

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEC – POLICY SUPPORT UNIT (PSU) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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

#### **Opinion**

We have audited the financial statements of APEC – POLICY SUPPORT UNIT (the "PSU"), as at 31 December 2017, as set out on pages 4 to 21 which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, 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 give a true and fair view of the financial position of the PSU as at 31 December 2017 and of the financial performance and cash flows of the PSU for the year ended on that date.

#### **Basis for Opinion**

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

#### **Responsibilities of Management and Those charged with Governance for the Financial Statements**

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

**INDEPENDENT AUDITOR'S REPORT (continued)****Responsibilities of Management and Director for the Financial Statements (continued)**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PSU's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITOR'S REPORT (continued)****Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PSU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PSU to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



UNITY ADVANCE LLP  
Public Accountants and  
Chartered Accountants

Singapore, 20 APR 2018

## APEC POLICY SUPPORT UNIT

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

|                            | Note | 2017<br>\$       | 2016<br>\$        |
|----------------------------|------|------------------|-------------------|
| <b>ASSETS</b>              |      |                  |                   |
| Plant and equipment        | 3    | 19,502           | 35,078            |
| <b>Current assets</b>      |      |                  |                   |
| Other receivables          | 4    | 28,038           | 19,139            |
| Fixed deposits             | 5    | 6,270,224        | 6,449,024         |
| Cash and bank balances     |      | 3,602,719        | 3,882,135         |
|                            |      | <u>9,900,981</u> | <u>10,350,298</u> |
| <b>Total assets</b>        |      | <u>9,920,483</u> | <u>10,385,376</u> |
| <b>LIABILITIES</b>         |      |                  |                   |
| <b>Current liabilities</b> |      |                  |                   |
| Other payables             | 6    | 81,693           | 109,395           |
|                            |      | <u>81,693</u>    | <u>109,395</u>    |
| <b>Net assets</b>          |      | <u>9,838,790</u> | <u>10,275,981</u> |
| <b>Represented by:</b>     |      |                  |                   |
| Accumulated fund           | 7    | <u>9,838,790</u> | <u>10,275,981</u> |



Dr. Hew Wei Yen (Denis Hew)  
Director  
Policy Support Unit

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

## APEC POLICY SUPPORT UNIT

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

|                             | Note | 2017<br>\$       | 2016<br>\$      |
|-----------------------------|------|------------------|-----------------|
| <b>Revenue</b>              | 8    | 2,613,942        | 2,679,401       |
| Other income                | 9    | 67,848           | 165,716         |
| Administrative expenditure  | 10   | (3,118,981)      | (2,879,273)     |
| <b>Deficit for the year</b> |      | <u>(437,191)</u> | <u>(34,156)</u> |



Dr. Hew Wei Yen (Denis Hew)  
Director  
Policy Support Unit

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

## APEC POLICY SUPPORT UNIT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

|  | Note | 2017<br>\$ | 2016<br>\$ |
|--|------|------------|------------|
| <b>Operating activities</b>                                    |      |            |            |
| Deficit for the year   |      | (437,191)  | (34,156)   |
| Adjustments for:   |      |            |            |
| Depreciation of plant and equipment                            |      | 17,945     | 17,941     |
| Fixed deposit interest   |      | (57,339)   | (38,132)   |
| Operating cash flow before changes in working capital          |      | (476,585)  | (54,347)   |
| Changes in working capital<br>(Increase) / Decrease in :-      |      |            |            |
| Other receivables  |      | (8,899)    | 1,207      |
| (Decrease) / Increase in :-                                    |      |            |            |
| Other payables   |      | (27,702)   | 28,559     |
|  |      | (36,601)   | 29,766     |
| Net cash flows generated (used in) / from operating activities |      | (513,186)  | (24,581)   |
| <b>Investing activities</b>                                    |      |            |            |
| Purchase of plant and equipment                                |      | (2,369)    | (40,222)   |
| Fixed deposit interest   |      | 57,339     | 38,132     |
| <b>Net cash flows from / (used in) investing activities</b>    |      | 54,970     | (2,090)    |
| <b>Financing activities</b>                                    |      |            |            |
| <b>Net cash flows from financing activities</b>                |      | -          | -          |
| Net decrease in cash and cash equivalents                      |      | (458,216)  | (26,671)   |
| Cash and cash equivalent at beginning of year                  |      | 10,331,159 | 10,357,830 |
| Cash and cash equivalent at end of year                        | 11   | 9,872,943  | 10,331,159 |



Dr. Hew Wei Yen (Denis Hew)  
Director  
Policy Support Unit

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



## APEC POLICY SUPPORT UNIT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

#### 1 General

The financial statements are expressed in Singapore dollars.

The principal activities of the APEC Policy Support Unit (PSU) include the following:

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

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

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

#### 2 Significant Accounting Policies

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.1.

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

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

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2 **Significant Accounting Policies (continued)****FRS / INT FRS issued but not effective**

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2018.

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

**Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and fixed deposits.

**Plant and equipment**

All plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment losses.

The cost of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be operating in the manner intended by management.

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

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

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

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

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

**APEC POLICY SUPPORT UNIT****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017****2 Significant Accounting Policies (continued)****Financial assets****(a) Classification**

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

**Loans and receivables**

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

**(b) Recognition and derecognition**

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

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

**(c) Measurement**

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

**(d) Impairment**

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

**(e) Offsetting financial instruments**

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

**Borrowing costs**

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

**APEC POLICY SUPPORT UNIT****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017****2 Significant Accounting Policies (continued)****Financial liabilities**

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

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

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

**Impairment of non-financial assets**

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

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

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

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

**APEC POLICY SUPPORT UNIT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

**2 Significant Accounting Policies (continued)**

**Foreign currency translation**

Functional and presentation currency

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

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Currency gains or losses resulting from the settlement of such transactions and from the year-end exchange rates of monetary assets and liabilities are denominated in foreign currencies are recognised in the profit or loss.

**Employee benefits**

Defined contribution plans

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

Employee paid leave entitlement

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

**Income Tax**

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

**Operating lease**

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

**APEC POLICY SUPPORT UNIT****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017****2 Significant Accounting Policies (continued)****Provisions**

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

**Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable.

Revenue is recognised as follows:

Contribution from member countries are recognised on an accrual basis.

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

**2.1 Significant accounting estimates and judgements**

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

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 3 Plant and Equipment

|                                 | Computer<br>\$ | Furniture and<br>fittings<br>\$ | Office<br>equipment<br>\$ | Software<br>\$ | Total<br>\$ |
|---------------------------------|----------------|---------------------------------|---------------------------|----------------|-------------|
| <b>At cost</b>                  |                |                                 |                           |                |             |
| At 1.1.2016                     | 36,810         | 13,027                          | 11,650                    | 10,753         | 72,240      |
| Additions                       | 37,984         | 2,145                           | 93                        | -              | 40,222      |
| Written off                     | (19,797)       | -                               | (1,563)                   | (1,327)        | (22,687)    |
| At 31.12.2016                   | 54,997         | 15,172                          | 10,180                    | 9,426          | 89,775      |
| Additions                       | 2,070          | -                               | 299                       | -              | 2,369       |
| Disposal                        | (650)          | -                               | -                         | -              | (650)       |
| At 31.12.2017                   | 56,417         | 15,172                          | 10,479                    | 9,426          | 91,494      |
| <b>Accumulated depreciation</b> |                |                                 |                           |                |             |
| At 1.1.2016                     | 32,564         | 7,575                           | 11,001                    | 8,303          | 59,443      |
| Charge for the year             | 11,464         | 4,666                           | 560                       | 1,251          | 17,941      |
| Written off                     | (19,797)       | -                               | (1,563)                   | (1,327)        | (22,687)    |
| At 31.12.2016                   | 24,231         | 12,241                          | 9,998                     | 8,227          | 54,697      |
| Charge for the year             | 14,854         | 2,113                           | 178                       | 800            | 17,945      |
| Disposal                        | (650)          | -                               | -                         | -              | (650)       |
| At 31.12.2017                   | 38,435         | 14,354                          | 10,176                    | 9,027          | 71,992      |
| <b>Net book value</b>           |                |                                 |                           |                |             |
| As at 31.12.2017                | 17,982         | 818                             | 303                       | 399            | 19,502      |
| As at 31.12.2016                | 30,766         | 2,931                           | 182                       | 1,199          | 35,078      |

## 4 Other Receivables

|                     | 2017<br>\$ | 2016<br>\$ |
|---------------------|------------|------------|
| Prepayments         | 10,483     | 11,478     |
| GST recoverable     | 879        | 662        |
| Interest receivable | 16,676     | 6,999      |
|                     | 28,038     | 19,139     |

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4 **Other Receivables (continued)**

Other receivables are denominated in the following currencies:

|                   | 2017          | 2016          |
|-------------------|---------------|---------------|
|                   | \$            | \$            |
| Singapore dollars | 16,323        | 18,598        |
| US dollars        | 11,715        | 541           |
|                   | <u>28,038</u> | <u>19,139</u> |

5 **Fixed deposits**

Fixed deposits are placed with financial institutions and earn interest at the rates ranging from 0.40% to 0.89% per annum (2016: 0.05% to 0.89%). The fixed deposits are on auto rollover and have maturity terms of 18 to 87 days (2016: 18 to 87 days) from reporting date.

Fixed deposits are denominated in the following currencies:

|                   | 2017             | 2016             |
|-------------------|------------------|------------------|
|                   | \$               | \$               |
| Singapore dollars | 3,576,273        | 3,551,806        |
| US dollars        | 2,693,951        | 2,897,218        |
|                   | <u>6,270,224</u> | <u>6,449,024</u> |

6 **Other Payables**

|                            | 2017          | 2016           |
|----------------------------|---------------|----------------|
|                            | \$            | \$             |
| Accrued operating expenses | <u>81,693</u> | <u>109,395</u> |

Other payables are denominated in Singapore dollars.



## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 7 Accumulated Fund

|                                | 2017<br>\$       | 2016<br>\$        |
|--------------------------------|------------------|-------------------|
| Movement in accumulated fund:  |                  |                   |
| At beginning of year           | 10,275,981       | 10,310,137        |
| Deficit for the financial year | (437,191)        | (34,156)          |
| At end of year                 | <u>9,838,790</u> | <u>10,275,981</u> |

## 8 Revenue

Contribution from member countries:

|                          | 2017<br>\$       | 2016<br>\$       |
|--------------------------|------------------|------------------|
| Australia                | 584,645          | 712,000          |
| Chinese Taipei           | 67,365           | 68,425           |
| Japan                    | 753,331          | 777,024          |
| Korea                    | 484,463          | 483,700          |
| New Zealand              | 118,040          | 91,190           |
| Singapore                | 47,920           |                  |
| United States of America | 558,178          | 547,062          |
|                          | <u>2,613,942</u> | <u>2,679,401</u> |

## 9 Other Income

|   | 2017<br>\$    | 2016<br>\$     |
|---|---------------|----------------|
| Fixed deposit interest                  | 57,339        | 38,132         |
| Foreign currency exchanges gain         | -             | 117,042        |
| Gain in disposal of plant and equipment | 100           | -              |
| Other income                            | 10,409        | 10,542         |
|   | <u>67,848</u> | <u>165,716</u> |

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 10 Administrative Expenditure

|                                   | 2017             | 2016             |
|-----------------------------------|------------------|------------------|
|                                   | \$               | \$               |
| Accountancy fee                   | 4,800            | 4,800            |
| Advertisement                     | 99               | -                |
| Audit fee                         | 3,200            | 3,200            |
| Bank charges                      | 1,504            | 2,300            |
| Consultants and research fee      | 332,348          | 413,160          |
| CPF and SDL                       | 70,147           | 63,285           |
| Data subscription                 | 962              | 5,707            |
| Depreciation of plant & equipment | 17,945           | 17,941           |
| Foreign currency exchanges loss   | 414,442          | -                |
| Function expenses                 | 799              | 984              |
| FWL                               | 1,270            | -                |
| General expenses                  | 43,006           | 20,411           |
| Insurance                         | 24,982           | 21,892           |
| Medical fee                       | 3,359            | 4,962            |
| Newspaper and periodical          | 2,912            | 13,522           |
| Office and building maintenance   | 41,381           | 40,940           |
| Printing and stationery           | 14,478           | 11,672           |
| Postage and courier               | 121              | 5,108            |
| Rental - office equipment         | 1,740            | 1,740            |
| Staff salaries and bonuses        | 1,645,151        | 1,573,497        |
| Staff welfare                     | 264,851          | 271,168          |
| Telecommunication                 | 4,840            | 6,859            |
| Transportation                    | 4,393            | 3,984            |
| Travelling expenses               | 220,251          | 392,141          |
|                                   | <u>3,118,981</u> | <u>2,879,273</u> |

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 11 Cash and Cash Equivalents

|                | 2017<br>\$       | 2016<br>\$        |
|----------------|------------------|-------------------|
| Bank balances  | 3,602,719        | 3,882,135         |
| Fixed deposits | 6,270,224        | 6,449,024         |
|                | <u>9,872,943</u> | <u>10,331,159</u> |

Cash and cash equivalents are denominated in the following currencies:

|                   | 2017<br>\$       | 2016<br>\$        |
|-------------------|------------------|-------------------|
| Singapore dollars | 4,511,859        | 5,610,319         |
| US dollars        | 5,361,084        | 4,720,840         |
|                   | <u>9,872,943</u> | <u>10,331,159</u> |

## 12 Operating Lease Commitment

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

|                       | 2017<br>\$ | 2016<br>\$   |
|-----------------------|------------|--------------|
| Payable within 1 year | 1,305      | 1,740        |
| Payable after 1 year  | <u>-</u>   | <u>1,305</u> |

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 13 Financial Risk Management

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

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

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

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

**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.

Analysis of financial instruments by remaining contractual maturities

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

| As at 31.12.2017                        | Carrying amount<br>\$ | Contractual cash flows<br>\$ | Within 1 year<br>\$ | Within 2 to 5 years<br>\$ |
|---|-----------------------|------------------------------|---------------------|---------------------------|
| <b>Financial assets</b>                 |                       |                              |                     |                           |
| Other receivables                       | 17,555                | 17,555                       | 17,555              | -                         |
| Fixed deposits                          | 6,270,224             | 6,270,224                    | 6,270,224           | -                         |
| Cash and bank balances                  | 3,602,719             | 3,602,719                    | 3,602,719           | -                         |
|   | <u>9,890,498</u>      | <u>9,890,498</u>             | <u>9,890,498</u>    | <u>-</u>                  |
| <b>Financial liabilities</b>            |                       |                              |                     |                           |
| Other payables                          | 81,693                | 81,693                       | 81,693              | -                         |
|   | <u>81,693</u>         | <u>81,693</u>                | <u>81,693</u>       | <u>-</u>                  |
| Total net undiscounted financial assets | <u>9,808,805</u>      | <u>9,808,805</u>             | <u>9,808,805</u>    | <u>-</u>                  |

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 13 Financial Risk Management (Continued)

## Liquidity Risk (Continued)

| As at 31.12.2016                        | Carrying amount<br>\$ | Contractual cash flows<br>\$ | Within 1 year<br>\$ | Within 2 to 5 years<br>\$ |
|---|-----------------------|------------------------------|---------------------|---------------------------|
| <b>Financial assets</b>                 |                       |                              |                     |                           |
| Other receivables                       | 7,661                 | 7,661                        | 7,661               | -                         |
| Fixed deposits                          | 6,449,024             | 6,449,024                    | 6,449,024           | -                         |
| Cash and bank balances                  | 3,882,135             | 3,882,135                    | 3,882,135           | -                         |
|   | <u>10,338,820</u>     | <u>10,338,820</u>            | <u>10,338,820</u>   | <u>-</u>                  |
| <b>Financial liabilities</b>            |                       |                              |                     |                           |
| Other payables                          | 109,395               | 109,395                      | 109,395             | -                         |
|   | <u>109,395</u>        | <u>109,395</u>               | <u>109,395</u>      | <u>-</u>                  |
| Total net undiscounted financial assets | <u>10,229,425</u>     | <u>10,229,425</u>            | <u>10,229,425</u>   | <u>-</u>                  |

**Market risk**

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

**Interest rate risk**

The PSU has no significant exposure to interest rate risk except from those that arises from PSU's bank account and fixed deposits account.

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

## APEC POLICY SUPPORT UNIT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

## 13 Financial Risk Management (continued)

## Foreign currency risk

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

The PSU has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the PSU, primarily USD.

|                           | 2017<br>\$       | 2016<br>\$       |
|---------------------------|------------------|------------------|
| <b>Financial assets</b>   |                  |                  |
| Other receivables         | 11,715           | 541              |
| Cash and cash equivalents | 5,361,084        | 4,720,840        |
|                           | <u>5,372,799</u> | <u>4,721,381</u> |
| Currency exposure         | <u>5,372,799</u> | <u>4,721,381</u> |

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

|                  | Deficit for the year |                |
|------------------|----------------------|----------------|
|                  | 2017<br>\$           | 2016<br>\$     |
| Financial assets | <u>268,640</u>       | <u>236,069</u> |

A 5% weakening of Singapore dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**APEC POLICY SUPPORT UNIT****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017****14 Fair Value**

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

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

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

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

**15 Authorisation for issue of Financial Statements**

The financial statements for the financial year ended 31 December 2017 were authorised for issue by PSU Director on **20 APR 2018**.

## 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 will remain a topic for discussion among Senior Officials and the PSU Board.

### VISION, MISSION AND OBJECTIVES

The [PSU five-year strategic plan \(2013-2017\)](#) articulates the unit's vision, mission and objectives as follows:

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

**Mission:** PSU is the policy research and analysis arm of APEC comprising openly recruited professionals working together with APEC SOM, committees and fora, in improving the quality of their deliberations and decisions and promoting policies that support the achievement of APEC's goals, by providing objective and high quality research, analytical capacity and policy support capability.

**Objectives:** (1) Provide robust research and analysis to support APEC fora and members so that policy development is evidence-based, internal capacities are enhanced, and implementation of policy measures can be evaluated; (2) Strengthen engagement and research collaboration with international and regional organizations; and (3) Communicate policy research and analytical outcomes to key APEC stakeholders.

### RESEARCH AGENDA

The PSU's policy research and analysis agenda is structured into five core areas, namely: (1) trade and investment liberalization and facilitation; (2) structural reform; (3) connectivity including supply chain connectivity and global supply chains; (4) economic and financial analysis; and (5) sustainable economic development. Among the current work are:

- assessing progress towards free and open trade and investment, a more favorable business environment, and structural reform efforts;
- studying issues on implementing single window systems' international interoperability, strength of standards and conformance infrastructure, and connectivity challenges;
- examining selected chapters in RTA/FTAs concluded by APEC economies;
- providing support to the peer review mechanism on infrastructure development and investment;
- examining recent economic, trade and investment measures undertaken by APEC economies, and analyzing the performance of APEC economies and the region; and
- maintaining a database of economic, social and environmental indicators for APEC economies.



**PSU BOARD MEMBERS**

|   |  |                                     |
|---|--|-------------------------------------|
| Mr Nguyen Minh Vu, Viet Nam   | PSU Board Chair  |                                     |
| Ms Julie Wapo, Papua New Guinea   | PSU Board Vice-Chair                                     |                                     |
| Mr Raúl Salazar-Cosio, Peru   | Immediate Past Host Economy Representative               |                                     |
| Mr Chris Tinning (January-March 2017) and Mr Simon Newnham (April-December 2017); and Mr Leslie Williams, Australia | Contributing Economies: SOM and/or their representatives |                                     |
| Ms Monica Chen, Hong Kong, China  |  |                                     |
| Mr Yasuhiko Yoshida; and Mr Mitsuhiro Fukuyama, Japan   |  |                                     |
| Ambassador Taeho Lee (January-August 2017) and Mr Yun Kang-hyeon (September-December 2017), Korea                   |  |                                     |
| Ms Alison Mann, New Zealand   |  |                                     |
| Mr Wong Chow Ming, Singapore  |  |                                     |
| Ambassador Pei-Yung Hsu, Chinese Taipei   |  |                                     |
| Mr Matthew J. Matthews; and Ms Emily Fischer, USA   |  |                                     |
| Dr Alan Bollard   |  | APEC Secretariat Executive Director |
| Dr Denis Hew  |  | APEC PSU Director                   |
| Ms Marie Sherylyn D. Aquia, the Philippines   | CTI Chair  |                                     |
| Mr Rory McLeod, New Zealand   | EC Chair   |                                     |
| Dr Nhu Thang Vu, Viet Nam   | SFOM Chair   |                                     |

**PSU STAFF MEMBERS**

|                               |                                     |
|-------------------------------|-------------------------------------|
| Dr Denis Hew Wei Yen          | PSU Director                        |
| Ms Chang Hui Ling             | Administrative Executive            |
| Ms Patricia Gomez             | Administrative Assistant            |
| Ms Aveline Low Bee Hui        | Policy Advisor                      |
| Mr Carlos Kuriyama            | Senior Analyst                      |
| Dr Akhmad Bayhaqi             | Senior Analyst                      |
| Dr Gloria O. Pasadilla        | Senior Analyst                      |
| Mr Emmanuel A. San Andres     | Analyst                             |
| Mr Andre Wirjo                | Analyst                             |
| Ms Zhu Huani                  | Researcher (until 10 April 2017)    |
| Ms Rhea Crisologo Hernando    | Researcher                          |
| Ms Denise Cheok Jia Yuan      | Researcher                          |
| Ms Kathrina Gonzalvo Gonzales | Researcher (until 15 December 2017) |
| Ms Divya Sangaraju            | Researcher                          |
| Ms Satvinderjit Kaur          | Researcher                          |
| Ms Crystal Liu Jiquan         | Researcher                          |

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