



**Asia-Pacific  
Economic Cooperation**

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

# Annual Report 2021

**APEC Policy Support Unit**

August 2022

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

APEC#222-SE-01.7



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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 2021.

Denis Hew  
Director  
APEC Policy Support Unit

## TABLE OF CONTENTS

<b>PROJECTS AND ACTIVITIES .....</b>	<b>1</b>
Overview of Projects and Activities .....	1
Completed Projects in 2021 .....	3
Current Projects - Discrete .....	9
Current Projects - Ongoing .....	11
<b>MANAGEMENT AND ACCOUNTABILITY .....</b>	<b>14</b>
Role and Structure .....	14
Key Responsibilities .....	14
Human Resources .....	14
Contributions in 2021 .....	15
<b>FINANCIAL STATEMENTS 2021 .....</b>	<b>16</b>
Auditor's Report .....	16
Additional Note .....	43
<b>ABOUT THE PSU .....</b>	<b>44</b>
Establishment and Mandate .....	44
Vision, Mission and Objectives .....	44
Research Agenda .....	44
PSU Board Members .....	45
PSU Staff Members .....	45

## PROJECTS AND ACTIVITIES

### OVERVIEW OF PROJECTS AND ACTIVITIES

People resources are paramount to any policy and research body. To a unit like the APEC Policy Support Unit (PSU), it is all the more so particularly since it is a small outfit and has to be agile to react to the demands and expectations from various stakeholders in APEC. It was hence a timely move by the PSU Board to strengthen the PSU's human resources by conducting a human resource review in 2021. The aim was to ensure that the PSU is able to attract and retain a team of professional staff, by ensuring that its policies and processes, particularly in the areas of remuneration and performance management are in line with market practices. The recommendations from the review are up for consideration in the coming year.

While work on the human resource review was going on, the PSU stayed on course and accomplished what it had set out to do for the year. It continued to support APEC's efforts in responding to and rebounding from the COVID-19 pandemic. For instance,

- To advance vaccination efforts, it completed a policy brief on 'Promoting Trade in Vaccines and Related Supplies and Equipment'.
- To facilitate the essential movement of people across the borders, it conducted a study on 'COVID-19 and Cross-Border Mobility in the APEC Region'.
- To address the impact of the future of work on people, it worked with the Economic Committee in producing their flagship report titled '2021 APEC Economic Policy Report on Structural Reform and the Future of Work'. Among others, the report highlighted how the pandemic has magnified existing vulnerabilities and accelerated future of work trends.
- To contribute to pursuing a digitally enabled recovery, it went on to examine the data gaps in labour market information and identify new data resources.
- To stay apace with the pandemic's impact on the economy, it produced two updates on regional trends analysis on top of the usual biannual reports. The first report also discussed how the pandemic has affected the functioning of global supply chains and the importance of improving their resiliency. In addition, it captured graphically the region's performance in growth, trade and investment as well as COVID-19 cases, vaccination status and trade in COVID-19 products in the annual APEC in Charts.

The PSU also completed four assessment and related work, namely:

- It assessed APEC's supply chain performance at the conclusion of the APEC Supply-Chain Connectivity Framework Action Plan 2017 – 2020 (SCFAP II) through the final review;
- It tracked the advancement in services trade at the half-way mark of the APEC Services Competitiveness Roadmap 2016 – 2025 (ASCR) through the mid-term review;
- It monitored the progress made in women's economic participation and inclusion through the biennial update of the APEC Women and the Economy Dashboard; and
- It identified indicators to measure collective progress in the new structural reform agenda named Enhanced APEC Agenda for Structural Reform 2021 – 2025 (EAASR).

The contribution by the PSU did not go unnoticed. When APEC Leaders convened in the later part of the year, besides acknowledging the work produced by the PSU, they recognized the need to do more. For instance, they recognized the need to continue paving the way to resume cross-border travel through findings from the cross-border mobility study; they committed to deepen efforts to respond to the pandemic's impact on labour market participation and the future of work; and they committed to accelerate work in response to the mid-term review of ASCR. Likewise, APEC Ministers welcomed the PSU's work.

The PSU also performed a self-assessment by surveying its immediate stakeholders. It surveyed Senior Officials and seven APEC groups based on the projects completed in 2020, which was the year the pandemic happened and unfolded. The results showed that they were overall very satisfied with the projects completed by the PSU, and found them of very good quality and useful. Apart from providing positive feedback on the PSU's work, they also offered suggestions in the areas of Board matters, research and analysis, and presentation and communication.

On communication, the PSU continued to participate actively in a wide range of APEC and non-APEC meetings and events that took place virtually. A list of these meetings and events is available in the two half-year evaluation reports. The work produced by the PSU remained publicly accessible on the APEC website and those related to COVID-19 were featured on the APEC COVID-19 LIVE site. It also continued to work closely with the Communications and Public Affairs Unit in producing a range of communication materials, from blogs, articles and op-eds, news releases, infographic to videos. With the media specifically, the PSU addressed them in virtual briefings and appeared in both television and radio interviews.

On collaboration, the PSU found a new partner in the Hinrich Foundation who provided a sponsorship for student fellows to work on trade, investment and supply chain issues. It maintained the good partnership it has with The Asia Foundation, now into the second year, by exploring work to accomplish for the following year. During this past year, the PSU also engaged other organizations in discussions: international organizations like the ADB and ILO, think tanks like ERIA, and the APEC Study Centres.

Organizations aside, the PSU also participated in events involving the private sector and the youth. With the latter, it engaged them by speaking to them in events organized by youth groups and in dedicated sessions with students studying in the major universities in Singapore and Peru. Additionally, the PSU continued to offer students the chance to learn about APEC and gain practical experience in conducting research through the various internship and fellowship opportunities.

It was a trying year in 2021, yet APEC member economies continued their show of support to the PSU – to its human resources and financial resources. The PSU offered profound gratitude to the PSU Board, who has been utmost considerate during the human resource review, and to economies who have been generous with their financial and in-kind commitments. The PSU will strive to uphold its vision of a highly respected source of policy research and analysis, thereby contributing to APEC's vision of an open, dynamic, resilient and peaceful Asia-Pacific community by 2040. With the PSU Board, it will work closely to progress issues regarding its human resources and financial sustainability as well as efficiently in line with the two meetings a year cycle with a flexibility to convene additional meeting if the need arises.

In the coming year, the PSU looks forward to supporting APEC 2022 policy priorities that will focus on charting a post-pandemic future for the region under the theme 'Open. Connect. Balance'. The PSU stands ready to work with APEC committees in their efforts to evaluate progress towards achieving the APEC Putrajaya Vision 2040. The PSU also endeavours to contribute to the work of APEC committees and fora in meeting the objectives and actions in the Aotearoa Plan of Action. As the following pages on completed and current projects will show, the PSU is already carrying out work that contributes to those objectives and actions.

## COMPLETED PROJECTS IN 2021

### For Senior Officials (SOM)

#### **A. APEC Services Competitiveness Roadmap (ASCR) – Mid-term Review**

SOM - Group on Services (GOS). The PSU was tasked by GOS to conduct a mid-term review to assess the progress towards ASCR, which APEC Leaders had endorsed in 2016 with an implementation plan and an end goal of 2025. Supported by an analysis of qualitative information and quantitative indicators, the review showed that APEC had made good strides since its inception in advancing ASCR at multiple levels – in terms of the overarching targets, APEC-wide actions and individual economy actions. Progress notwithstanding, it showed that more work has to be done and laid out a few recommendations to further advance services work. Among the recommendations were: accelerate implementation of specific APEC-wide actions, update the set targets and outputs in each APEC-wide action and clearly associate the activities with them, enhance engagement with the private sector, and continue to improve services data and statistics. Given the importance of services to the regional economy, the review also addressed the impact and implications of COVID-19, particularly on how APEC economies can support the services sector and facilitate services trade to respond to and adapt in a post-COVID environment.

The findings from the review were presented to GOS and at the GOS trade policy dialogue on the COVID-19 effect (19 May). They became critical inputs to GOS in their preparation of the Summary Report of the ASCR Mid-term Review. The report was welcomed by APEC Ministers who noted the assessment of the region's performance in services competitiveness. They also endorsed the recommendations of the report, which chart a path for the region to achieve the Roadmap's targets by 2025. Likewise, APEC Leaders noted the progress and committed to accelerate work in response to the mid-term review with the aim of fully implementing the ASCR by 2025.

*The Aotearoa Plan of Action is a key document for implementing the APEC Putrajaya Vision 2040. In the Aotearoa Plan of Action under the economic driver on Trade and Investment, one of the collective actions is: 'Progress services liberalisation, facilitation and cooperation, including by implementing the ASCR'.*

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

#### **B. Final Review of the APEC Supply-Chain Connectivity Framework Action Plan 2017-2020 (SCFAP II)**

The PSU conducted a final assessment on SCFAP II, which spanned the period 2017-2020, at the request of CTI. SCFAP II addressed five major chokepoints in supply chains: (1) lack of coordinated border management, and underdeveloped border clearance and procedures; (2) inadequate quality of, and lack of access to, transportation infrastructure and services; (3) unreliable logistics services and high logistical costs; (4) limited regulatory cooperation and best practices; and (5) underdeveloped policy and regulatory infrastructure for e-commerce. The progress was assessed through a review of relevant external indicators, stocktaking reports on relevant APEC initiatives and voluntary case studies submitted by APEC economies.

The review showed that as of 2019, APEC economies had generally performed well for chokepoints 1, 2 and 4, while performance for chokepoint 3 and 5 remained mixed. It presented a few issues that APEC economies may target their efforts on moving forward: resiliency in supply chains, rising trade costs, interoperability issues, investment in quality infrastructure, reliable logistics services, sustainability and inclusiveness in supply chain trade, and regulatory reforms in digital trade.

The final review was presented to CTI, who will take on board the findings in developing the next phase of SCFAP. The review was also presented to the Sub-Committee on Customs

Procedures (SCCP) and APEC Alliance for Supply Chain Connectivity (A2C2). It was welcomed by APEC Ministers who expressed their continuing support to businesses to build and maintain open, secure, and resilient supply chains to facilitate seamless connectivity in the region.

*In the Aotearoa Plan of Action under the economic driver on Trade and Investment, one of the objectives is: 'Promote seamless connectivity, resilient supply chains and responsible business conduct'.*

### **C. Passports, Tickets and Face Masks: COVID-19 and Cross-Border Mobility in the APEC Region**

The study on cross-border mobility was conducted against a backdrop when APEC economies were implementing restrictions at the border and public health measures in order to prevent imported cases of COVID-19 from affecting the local populations. The PSU was tasked by CTI who was responding to the calls of APEC Leaders and Ministers to cooperate to facilitate the essential movement of people in a safe manner. The study was complemented with insights drawn from APEC economies' responses to an earlier survey on measures that they were exploring or implementing to facilitate the essential movement of people across borders. The findings revealed that the border restrictions had an immediate and substantial impact on trade, economic activity and people, and presented some recommendations to enable the safe reopening of borders and on a role for APEC.

The study was presented to CTI and to Senior Officials at the roundtable on safe passage that was convened to share information on cross-border travel measures and to discuss how APEC can safely revive cross-border travel in the region (7 May and 23 September). It was also presented to the Business Mobility Group (BMG) (11 August) and a BMG capacity building workshop on improving the utilization of APEC Business Travel Card (14-15 September).

APEC Ministers noted the findings from the study and recognized the need to continue to pave the way for the resumption of cross-border travel, without undermining efforts to control the spread of COVID-19. APEC Leaders also noted the findings.

*In the Aotearoa Plan of Action under the economic driver on Trade and Investment, one of the collective actions is: 'Promote and cooperate on measures that facilitate the safe cross-border movement of people, particularly in the context of changing pandemic related health and travel measures, so as to strengthen tourism, aviation and similarly affected sectors'.*

### **D. Peer Review and Capacity Building on APEC Infrastructure Development and Investment (Reviewed Economy: Papua New Guinea)**

Papua New Guinea was the fourth economy after the Philippines; Viet Nam; and Indonesia to be reviewed under the mechanism on 'Peer Review and Capacity Building on APEC Infrastructure Development and Investment'. Japan continued to perform the role of facilitating economy while Australia and the United States took on the role of co-facilitating economy for the first time. The PSU remained as the ad-hoc review team secretariat, helping to set up a review team comprising technical experts and supporting the team throughout the review process.

The process involved a peer review on the policies and practices, including relevant laws, regulations and guidelines related to the planning, selection and implementation process of transport infrastructure projects (road, sea port and airport) in Papua New Guinea. Following the review, seven priority areas for capacity building were identified, including adding rigor to the project review process, further strengthening the incorporation of life cycle costs into projects, and strengthening government procurement and the funding aspects of infrastructure. The recommendations took into consideration the significant and long history of support provided by the development partners to Papua New Guinea.

The findings were presented to CTI. APEC Ministers continued to recognize the importance of regional, sub-regional and remote area connectivity through quality infrastructure development and investment. APEC Leaders also recognized that APEC's work on quality infrastructure development and investment is among the essential components in the efforts to ensure that goods continue to flow even under challenging circumstances.

*In the Aotearoa Plan of Action under the economic driver on Trade and Investment, one of the collective actions is: 'Address key infrastructure gaps and enhance connectivity...'*

#### For Economic Committee (EC)

### **E. APEC Economic Policy Report (AEPR) 2021: Structural Reform and the Future of Work**

The PSU has been managing the production of EC's annual flagship report for six years in a row, and in so doing built up a close working relationship with EC. Similar to previous years, the PSU worked closely with a core team comprising EC members in the production of the 2021 AEPR, which addressed the topic on structural reform and the future of work. The report conveyed a clear message – that the future of work is not about technology, but about people and there is a need to address the real social and economic impacts that come with change.

The report discussed the four megadrivers of change – technological change, climate change, globalization, and demographic change – and how they relate to future of work. It analyzed how the COVID-19 pandemic has interacted with the future of work trends and accelerated digitalization and automation and how human resource management has changed in this context. It also discussed policy options to tackle future of work challenges and provided a number of recommendations, which included to develop and redevelop skills, update labor laws and institutions, cooperate across borders, and operationalize APEC initiatives on future of work. Additionally, the report built on the work of the previous AEPRs as their analyses feature intersections with issues relevant to the future of work.

The report was presented to EC and endorsed by Senior Officials. It was welcomed by APEC Ministers, who recognized the importance of structural reforms in enabling APEC economies to take forward policies to achieve economic inclusion and to adapt to the future of work. They also encouraged economies to implement its recommendations. As the topic on future of work is relevant to the work of the Human Resources Development Working Group (HRDWG), the PSU spoke to the HRDWG in a panel discussion on the changing nature of work and employment in the context of COVID-19 (20-21 May) and in a workshop on promoting APEC innovative caregiving through digital upskilling (23 September).

Structural reform remains high on APEC's agenda with APEC Leaders recognizing that it will be a critical tool for promoting economic recovery. They also committed to deepen efforts to respond to the impact of the pandemic on labor market participation and the future of work.

*In the Aotearoa Plan of Action under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the objectives is: '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'.*

### **F. Filling APEC's Data Gaps to Address Future of Work Challenges (Issues Paper No. 13)**

The PSU had initiated the preparation of this issues paper to contribute to the APEC 2021 policy priority on pursuing innovation and a digitally-enabled recovery. It also complemented the efforts of EC, HRDWG and Digital Economy Steering Group (DESG), which are looking into the future of work and digitalization issues. Notably, the paper tied in with AEPR 2021 on Structural Reform and the Future of Work.

The paper identified gaps in labor market information, particularly with regard to jobs and skills in the digital economy. It also identified new data resources on labor market jobs and skills,

such as big data and digital labor market platforms that can complement traditional labor market information sources. It provided recommendations for integrating new data sources into labor market information systems and examined opportunities for public-private partnerships on digital economy skills, jobs, and labor market information.

*In the Aotearoa Plan of Action under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the collective actions is: 'Cooperate to improve the collection and analysis of skills and labour market data sets, including to better assess and bridge skills gaps and mismatches between skills and employment'.*

#### **G. Proposed Indicators for Monitoring APEC Collective Progress on Enhanced APEC Agenda for Structural Reform (EAASR)**

The EAASR, APEC's structural reform agenda for the period of 2021-2025, was endorsed by Structural Reform Ministers in June 2021 and welcomed by both APEC Leaders and Ministers later in the year.

When conducting the mid-term and final reviews on the Renewed APEC Agenda for Structural Reform (RAASR), the predecessor to EAASR, the PSU was using a set of quantitative indicators to measure APEC-wide progress which they had developed with the EC at the outset. When Structural Reform Ministers subsequently endorsed EAASR, they emphasized the importance of ensuring that the set of quantitative indicators remain relevant and fit for the purpose of monitoring its progress. They thus tasked the EC to work with the PSU to update the set of quantitative indicators.

After assessing the continued relevance of each quantitative indicator that was used to monitor RAASR, the PSU put forward a total of 28 indicators to monitor and report on APEC collective progress under EAASR. Out of these, 16 indicators have previously been used to monitor RAASR and are still relevant for monitoring EAASR, while the remaining 12 indicators are newly-added and cover broad areas, such as digitalization, income inequality, and social protection. The agreed indicators will form an integral part of the mid-term review (2023) and final review (2025) of EAASR, which the PSU will support the EC in.

Related to the monitoring of EAASR, the PSU also provided technical advice and support to the EAASR individual action plan (IAP) workshop (1 October), which was organized by EC to support APEC economies in completing their IAPs.

*In the Aotearoa Plan of Action under the economic driver on Innovation and Digitalisation, one of the collective actions is: 'Advance future APEC initiatives on structural reform under the four pillars of the Enhanced APEC Agenda for Structural Reform (EAASR)'.*

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

#### **H. The Compendium of Resources for the Facilitation of the Trade and Distribution of Legally Harvested Forest Products in the APEC Region**

Experts Group on Illegal Logging and Associated Trade (EGILAT). This project supported EGILAT's goal of promoting trade in legally harvested forest products as well as their two-year policy theme on advancing the trade and distribution of legally harvested forest products. Through the compendium, the PSU was able to help address the fragmentation of information by identifying and organizing a range of resources that provide information on risk profiles, legal information, resources, and tools to facilitate the trade of legal forest products. The aim was to provide an easy-to-understand and digestible compendium of resources that will assist operators in conducting trade in legal forest products.

The compendium was presented to EGILAT. APEC Ministers expressed their commitment to promoting trade in legally harvested forest products.

*In the Aotearoa Plan of Action under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the objectives is: 'Work towards the sustainable resource management of agriculture, forestry and marine resources and fisheries, including by implementing... commitments to combat illegal logging and associated trade'.*

## **I. APEC Women and the Economy Dashboard 2021**

Policy Partnership on Women and the Economy (PPWE). Since the release of the first edition in 2015, the PSU has been updating the Dashboard every two years, making this the fourth edition. The Dashboard provided a snapshot of the status of women in the region by monitoring trends in a set of indicators that were selected based on the five priority pillars identified by PPWE, namely: (1) access to capital and assets; (2) access to markets; (3) skills, capacity-building and health; (4) leadership, voice and agency; and (5) innovation and technology.

The latest edition showed that important strides have been made in some key areas related to women's access; but insufficient and inconsistent policies, compounded by socio-cultural gender biases remain, which are preventing efforts towards greater economic participation and social inclusion of women. It therefore called on APEC economies to enforce properly measures that aim to advance women's empowerment across key areas as well as exerting efforts to change mindsets and counter gender stereotyping. The unequal impact of COVID-19 on women was also discussed.

The 2021 Dashboard contained some indicators which can also be used to track progress of the targets in the APEC La Serena Roadmap for Women and Inclusive Growth (2019-2030), which APEC Leaders and Ministers reaffirmed their commitment to. It was presented to PPWE and the APEC Women and the Economy Forum (24 September).

*In the Aotearoa Plan of Action under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the collective actions is: 'Build on APEC's Agenda on Advancing Economic, Financial and Social Inclusion to enhance economic inclusion for all, including by advancing gender equality and the economic empowerment of women...'*

## Others

### **J. Support to Event Organization**

The panel on regional economic outlook has become a mainstay in EC plenary meetings. The PSU supported EC in organizing a panel with a focus on regional economic outlook during EC1 Plenary Meeting (March). In addition to organizing speakers from the Asian Development Bank and the International Labour Organization, PSU Director facilitated and spoke in the panel.

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

All meetings during the APEC 2021 New Zealand year were conducted virtually using online platforms. This enabled the PSU to continue participating in meetings which span across the APEC structure.

At the level of Economic Leaders,

- (1) Leaders: Informal APEC Economic Leaders' Retreat (16 July); prior to that, Virtual Drafting Sessions for APEC Economic Leaders' Statement (9 and 13 July).

APEC Economic Leaders' Meeting (12 November); prior to that, Virtual Drafting Sessions for APEC Ministerial Meeting and APEC Economic Leaders' Meeting Statements (28-29 October, 2-4, 6 and 9 November).

At the level of Ministers,

- (1) APEC Ministers: APEC Ministerial Meeting (8-9 November); prior to that, Virtual Drafting Sessions for APEC Ministerial Meeting and APEC Economic Leaders' Meeting Statements (28-29 October, 2-4, 6 and 9 November).
- (2) Ministers Responsible for Trade: Ministers Responsible for Trade (MRT) – ABAC Dialogue (4 June), and MRT Meeting (5 June).
- (3) Finance Ministers: Finance Ministerial Meeting (22 October); prior to that, Joint Ministerial Statement Drafting Sessions (30 September, 13 October). The PSU also participated in the Informal Finance Ministerial Meeting with ABAC (25 June), Finance and Central Bank Deputies Meeting (17-18 March, 19 October) and Senior Financial Officials' Meeting (22-23 June).
- (4) Others: Structural Reform Ministerial Meeting (16 June) and prior to that the Preparatory Meeting (29 April), APEC Women and the Economy Forum (24 September), and SME Ministerial Meeting (9 October).

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

- (5) SOM from the First to the Concluding SOM. Other meetings and events were: SOM Friends of the Chair on Connectivity Meeting, ABAC-SOM Dialogue, Dedicated Sessions on Putrajaya Vision Implementation Plan, and APEC Cross-Border Travel – Virtual Roundtables on Safe Passage. The PSU also participated in the Symposium on 2022 Priorities Programme and Informal SOM that were hosted by Thailand, the APEC 2022 host economy (1-3 December, Phuket).
- (6) Committee on Trade and Investment (CTI) plenary meetings.
- (7) CTI fora, specifically the Business Mobility Group (BMG), Digital Economy Steering Group (DESG), Group on Services (GOS), Investment Experts' Group (IEG), Life Sciences Innovation Forum (LSIF), Market Access Group (MAG), Sub-Committee on Customs Procedures (SCCP), and Telecommunications and Information Working Group (TELWG). Other related activities were convened by the APEC Alliance for Supply Chain Connectivity (A2C2).
- (8) Economic Committee (EC) plenary meetings.
- (9) SOM Steering Committee on Economic and Technical Cooperation (SCE) meetings.
- (10) SCE fora, specifically the Anti-Corruption and Transparency Experts' Working Group (ACTWG), Emergency Preparedness Working Group (EPWG), Experts Group on Illegal Logging and Associated Trade (EGILAT), Human Resources Development Working Group (HRDWG), Ocean and Fisheries Working Group (OFWG), and Policy Partnership on Women and the Economy (PPWE).
- (11) Budget and Management Committee (BMC) meetings.
- (12) Others, specifically the Policy Partnership on Food Security (PPFS) as well as events organized by the APEC Study Centres Consortium (ASCC).

The full list of the PSU's participation in APEC meetings and events can be found in the two PSU half-year evaluation reports prepared for 2021.

## CURRENT PROJECTS - DISCRETE

### For Senior Officials (SOM)

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

Since 2014 when APEC Connectivity Blueprint (2015-2025) was endorsed by APEC Leaders, the digital economy has grown exponentially. The impetus to digitalize has also increased due to the COVID-19 pandemic. It thus came as no surprise that two out of the five recommendations from the Blueprint's mid-term review 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 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. The PSU has completed the literature review and analysis of case studies provided by APEC economies, and presented preliminary findings to Senior Officials. The goal is to finish the study in the first quarter of 2022.

The APEC Connectivity Blueprint continues to feature prominently in APEC agenda. APEC Ministers during their annual meeting expressed their commitment to implement the Blueprint, including through enhancing connectivity cooperation in the digital era. APEC Leaders also committed to continue to implement the Blueprint to further improve physical, institutional and people-to-people connectivity.

*In the Aotearoa Plan of Action under the economic driver on Trade and Investment, among the collective actions are: 'Implement APEC's Connectivity Blueprint...', 'Improve digital connectivity in the region', and 'Promote capacity building to improve physical, institutional and people-to-people connectivity'.*

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

#### **B. A Study on Tariffs – Analysis of the Regional Comprehensive Economic Partnership (RCEP) Tariff Liberalization Schedules**

This study is an extension of and complements the 2019 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 come under the work programme on tariffs, which CTI had agreed to in order to implement the Lima Declaration that was endorsed by APEC Leaders in 2016.

The 2019 study provided an update of the tariff analysis that was reported in the Collective Strategic Study on FTAAP, analyzed potential impact of lowering tariffs through FTAAP pathways as well as market access commitments within the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The 2021-22 study covers what was not available in 2019 — the RCEP agreement which was signed later on 15 November 2020. It will examine the characteristics of the tariff liberalization schedules agreed in RCEP, compare the tariff schedules of RCEP and CPTPP, and identify possible convergences and divergences between the two agreements.

The PSU has presented initial findings to CTI, and is aiming to complete the study by the first quarter of 2022.

*In the Aotearoa Plan of Action under the economic driver on Trade and Investment, one of the collective actions is: 'Effectively advance efforts on the Free Trade Area of the Asia-Pacific (FTAAP) agenda, consistent with the Lima Declaration'.*

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

Digital Economy Steering Group (DESG). Tasked by DESG, this project supports priority area 8a in the work program of the APEC Internet and Digital Economy Roadmap (AIDER), which is 'encourage[ing] discussion towards wider implementation and adoption of APEC CBPR by interested economies and companies'.

The aim of the project is to encourage the wider implementation and adoption of the APEC CBPR system by reviewing and identifying the issues and challenges of the system. It will analyze and identify reasons why the number of participating economies and certified companies have remained low and identify the existing challenges of the CBPR system through desk research, survey and interviews with the CBPR stakeholders. It will then develop recommendations for APEC economies to improve the current CBPR system and to encourage its wider implementation and adoption. The project is expected to be completed in mid-2022.

*In the Aotearoa Plan of Action under the economic driver on Innovation and Digitalisation, one of the collective actions is: 'Accelerate APEC work and capacity building on the digital economy, including by prompt and effective implementation of APEC's Internet and Digital Economy Roadmap'.*

For Economic Committee (EC)

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

The AEPR 2022 will mark the seventh consecutive year the PSU is working with EC on their annual flagship report. The topic on 'Structural Reform and a Green Recovery from Economic Shocks' was welcomed by APEC Ministers.

With EC in the lead, the AEPR will involve cross-fora collaboration with the Finance Ministers' Process (FMP) and Energy Working Group (EWG). The PSU will manage the production of the main report, which includes the recruitment and management of a consultant to prepare chapters in the report; coordinating and consulting with a core team that comprises EC members and EC throughout the process; and engaging a peer reviewer in reviewing the drafts of the report. The PSU will also co-write a chapter on key findings and policy recommendations with the consultant.

The report is expected to be completed in time for the Concluding Senior Officials' Meeting (CSOM) and APEC Ministerial Meeting (AMM) in November 2022.

*In the Aotearoa Plan of Action under the economic driver on Innovation and Digitalisation, one of the collective actions is: 'Advance future APEC initiatives on structural reform under the four pillars of the Enhanced APEC Agenda for Structural Reform (EAASR)'. Under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the collective actions is: 'Cooperate in relevant APEC fora to develop, encourage and exchange best practice policies, and promote capacity building programmes, that address all environmental challenges - including climate change - and support sustainable growth, such as through: structural reform...'*

## CURRENT PROJECTS - ONGOING

### A. APEC Regional Trends Analysis

The PSU publishes the APEC Regional Trends Analysis twice a year, this year complemented with two short updates in between the biannual reports.

The first update in February (titled 'Uneven Recovery, Unequal Impact') revealed that the region faced uneven growth across APEC economies, with the speed of recovery largely hinged on effective virus containment through vaccination access and uptake. Unequal impact of COVID-19, particularly on the poor, women and the youth needs to be addressed for growth to be inclusive. Economic recovery requires: (1) universal access to healthcare and widespread immunization; (2) maintenance of fiscal and monetary stimulus measures; and (3) stepped-up regional cooperation efforts.

The first report in May (titled 'Bolstering Supply Chains, Rebuilding Global Trade; Making Recovery Inclusive') discussed how COVID-19 has affected the functioning of global supply chains that provide us with access to food, medicines, technology, and other necessities. It showed how the pursuit of efficiency and cost considerations have dominated the formation of current global value chains, but have exposed them to risk of external shocks like the current pandemic and natural disasters. Some firms have taken initial actions in the name of improving resilience—such as withdrawing from international trade—but these, in the longer term, may achieve the opposite results. Improving resiliency of global supply chains will not be a costless exercise, but one that will require collaborative partnership among firms and economies, and regional cooperation.

The next chapter on economic and trade trends showed that the region posted a softer contraction of 1.9% in 2020. However, trading activity in the region was still adversely affected by the combined impact of the temporary closure of borders, disruptions in global supply chains, proliferation of trade-restrictive measures, and persistent trade and technology tensions. The APEC region was expected to grow by 6.3% in 2021, but the recovery was going to be uneven, with unequal impacts on women, the youth, the poor, indigenous groups and other vulnerable segments of society. Collaborative efforts could ensure that COVID-19 is effectively managed everywhere, ensuring access to vaccines, treatments and medical supplies for a healthier population and leading to a steady reopening of businesses and borders towards a sustainable and inclusive economic recovery.

The second update in August (titled 'Vaccine Access Drives Recovery') highlighted that the resurgence in infections due to the spread of the more contagious Delta variant was threatening the economic recovery, with some economies re-imposing movement restrictions. Persistent uncertainty due to COVID-19 and its variants amid unequal access to vaccines combined with varying magnitudes of fiscal and monetary support was expected to translate into diverging economic growth across APEC. Multilateral cooperation can play a role to strengthen economic recovery and to facilitate the free flow of vaccine components and related supplies and equipment.

The second report in November (titled 'APEC's Climate Change Challenge; Toward a Resilient Recovery: Policies Matter'), discussed how APEC is severely affected by climate change, but also how the region disproportionately contributes to it in terms of greenhouse gas (GHG) emissions. While APEC economies have made some achievements with respect to their sustainable economic growth targets, the region needs to significantly do more—including setting more ambitious reductions in GHG emissions—to ensure a habitable and affluent Asia-Pacific in the next century.

The second chapter on economic and trade trends showed the rebound of the APEC region's economy as it learns to live with COVID-19. APEC GDP grew by 8.0% in the first half of 2021, while trading activity saw double-digit growth during the same period. The region was expected to grow by 6.0% in 2021, before settling at 3.2% in the medium-term. However, substantial uncertainty surrounds the growth projections, with the Delta variant and virus mutations posing

as the biggest threat to economic recovery. The unequal access to vaccines needs to be addressed to avoid a two-track recovery, with some able to revive economic activity at a faster and more durable pace while other economies continue to grapple with resurgent infections amid tighter fiscal conditions.

The APEC Regional Trends Analysis was presented to Senior Officials and EC. It was also presented at the SOM-ABAC dialogue (8 March) and SCCP workshop on COVID-19 lessons learnt for customs and trade facilitation (11 June).

APEC Leaders and Ministers recognized the importance of resilient supply chains and addressing the challenges of climate change, which were topics covered in the May and November reports.

*In the Aotearoa Plan of Action under the economic driver on Trade and Investment, one of the objectives is: 'Promote seamless connectivity, resilient supply chains and responsible business conduct'. Under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the objectives is: '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. PSU Policy Brief Series

The PSU published three policy briefs in 2021:

- (1) The Role of Women's Empowerment in Anti-Corruption (No. 39, March): This brief underscored the importance of women's empowerment in anti-corruption efforts in APEC. While women's empowerment alone is not sufficient to eradicate corruption, it highlighted how APEC policymakers can use gender mainstreaming and gender-sensitive mechanisms to craft policies to deal with gendered forms of corruption.

The brief was presented to ACTWG.

*In the Aotearoa Plan of Action under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the collective actions is: 'Advancing gender equality and the economic empowerment of women, particularly through accelerating the full implementation of the actions in the La Serena Roadmap for Women and Inclusive Growth and building on them'. Under the same economic driver, another collective action is: 'Enhance cooperation to foster secure growth, including by implementing the APEC Beijing Declaration on Fighting Corruption, Santiago Commitment to Fight Corruption and Ensure Transparency...'*

- (2) Promoting Trade in Vaccines and Related Supplies and Equipment (No. 40, May): This brief touched on the importance of the trade in vaccines and their related supplies and equipment and on issues affecting the COVID-19 vaccine trade. It analyzed existing tariff levels and non-tariff measures affecting those products in the region, and provided policy recommendations to facilitate the provision of COVID-19 vaccines and related products, which are necessary to advance vaccination efforts.

The brief was presented to CTI and SCCP. It was also presented at a LSIF webinar on cooperation to secure economy and health (17 September). APEC Leaders and Ministers continued to express their strong support to the equitable access to safe, effective, quality-assured and affordable COVID-19 vaccines, diagnostics, therapeutics, and other related essential medical products.

*In the Aotearoa Plan of Action under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the collective actions is: 'Enable quality and equitable health access and outcomes for all with a view to achieving universal health coverage, including by strengthening health systems, by cooperating on: accelerating equitable access to safe, effective, quality-assured, and affordable vaccines for all...'*

- (3) A Review of the APEC List of Environmental Goods (No. 41, September): This brief was prepared in response to the mandate given by Ministers Responsible for Trade to review the implementation of and update the Harmonized System (HS) tariff classification codes in the 2012 APEC List of Environmental Goods. It evaluated the evolution of trade in the environmental goods and analyzed the main barriers affecting them. It also discussed the significance of updating the list and highlighted considerations that APEC economies should keep in mind when considering the addition of any environmental goods to the list.

The brief was presented to CTI and MAG. It contributed to the scoping discussions on the work programme for reviewing and updating the APEC List of Environmental Goods (29 June, 29 July and 15 September). The work on updating and reviewing the implementation of the 2012 list was welcomed by APEC Ministers, who also provided guidance to progress work in this area.

*In the Aotearoa Plan of Action under the economic driver on Strong, Balanced, Secure, Sustainable and Inclusive Growth, one of the collective actions is: 'Cooperate in relevant APEC fora to develop, encourage and exchange best practice policies, and promote capacity building programmes, that address all environmental challenges - including climate change - and support sustainable growth, such as through: trade, including APEC's work on facilitation of trade in environmental goods and services ...'*

### **C. StatsAPEC**

The StatsAPEC ([statistics.apec.org](http://statistics.apec.org)) is a statistics portal containing data which date back to APEC's inception in 1989. It consists of two databases: Key Indicators and Bilateral Linkages. The PSU updates the portal twice a year with data from over 30 data providers. Data for 2020 are available for most indicators and APEC economies after the two updates in July and December 2021.

### **D. APEC in Charts**

APEC in Charts has been well received since its debut in 2013. The annual publication depicts the economic, trade, investment and policy-related performance of the APEC region in the form of charts. This year's issue, which incorporated elements related to COVID-19, was published during the APEC Economic Leaders' Week in November. The next issue will be published in November 2022.

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

Since 2017 the PSU has been providing advice and feedback on the concept notes submitted by APEC economies when applying for project funding under the RAASR Sub-Fund. The PSU will assume the same role come 2022 when the new sub-fund for Enhanced APEC Agenda for Structural Reform (EAASR) enters into operation.

### **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. The PSU conducted the mid-term review on ASCR this year at the request of GOS.

## 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 2021 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 PSU refers to a Staff Management Framework which was developed in 2009 not long after the unit was set up. The framework provides the organizational structure, remuneration framework, capability profile, work level descriptions, and performance management approach. More than a decade on, it becomes timely to update the framework.

With oversight from the PSU Board, a human resource review on the PSU was conducted in 2021 by a management consulting firm. The review looked into the PSU's human resource policies and processes, including remuneration and performance appraisal, to ensure they are in line with market practices. The review took about six months, from June to November 2021, and the ensuing report contained findings and recommendations in five main areas, namely: salary structure and ranges, variable performance bonus and merit increment, allowance and benefits, performance management process and learning needs analysis, and talent attraction and retention. For the next step, the PSU will prepare a plan to implement the recommendations along with any budgetary implications for the consideration of the PSU Board.

## CONTRIBUTIONS IN 2021

APEC funding: The PSU received financial and in-kind contributions from the following APEC economies in 2021:

APEC economies	Contributions (in original currency)	Contributions (in SGD)
Financial contributions:		
Australia	AUD 550,000	553,710
Hong Kong, China	USD 250,000	336,924
Japan	JPY 22,500,000, SGD 125,000, USD 250,000	737,068
Korea	KRW 318,000,000	375,944
New Zealand	NZD 182,000	172,364
The Philippines	PHP 1,150,000	30,814
Chinese Taipei	USD 100,000	136,025
United States	USD 400,000	540,900
In-kind contributions:		
Singapore	Office space	

External funding: The PSU accepted a sponsorship from the Hinrich Foundation of up to SGD 20,000 for two student fellows to work on trade, foreign direct investment and supply chain issues. The funds will be disbursed upon confirmation of each fellow, and the sponsorship will end in December 2022. In December 2021, Hinrich Foundation disbursed SGD 5,268 to the PSU upon confirmation of a student fellow covering the period 8 November 2021 to 31 January 2022.

The grant from The Asia Foundation has been extended for another year until December 2022, and the balance 5% of the grant (or USD 3,625) can be expected in 2022.

## FINANCIAL STATEMENTS 2021

### 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 2021 is presented.



APEC POLICY SUPPORT UNIT

ANNUAL REPORT

31 DECEMBER 2021

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

**CORPORATE DATA**

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<b>Director</b>	Dr. Hew Wei Yen (Denis Hew)
<b>Registered office</b>	35 Heng Mui Keng Terrace Singapore 119616
<b>Bankers</b>	DBS Bank Limited
<b>Auditor</b>	Prime Accountants LLP (f.k.a: Unity Advance LLP) <i>Chartered Accountants of Singapore</i>

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

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

In our opinion, the accompanying financial statements with the notes thereon, are drawn up in accordance with the Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the PSU as at 31 December 2021 and the statement of comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

The Sole Director



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Dr. Hew Wei Yen (Denis Hew)  
Director

Singapore, 13 April 2022



Chartered Accountants of Singapore

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU) BOARD  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

**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 2021, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the PSU as at 31 December 2021 and of the financial performance and cash flows of the PSU for the year ended on that date.

**Basis for Opinion**

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

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

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

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.



Chartered Accountants of Singapore

**INDEPENDENT AUDITOR'S REPORT (Continued)  
TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU) BOARD  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

**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.
- 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 (Continued)  
TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU) BOARD  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

**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 dependent auditor's report is Mr. Lawrence Chen Tse Chau.

*Prime Accountants LLP*

**PRIME ACCOUNTANTS LLP**  
(f.k.a: Unity Advance LLP)  
Public Accountants and  
Chartered Accountants

Singapore, 13 April 2022

## APEC POLICY SUPPORT UNIT

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 \$	2020 \$ (Restated)
<b>ASSETS</b>			
Plant and equipment	4	3,797	13,089
<b>Current assets</b>			
Contribution receivable	5	30,814	264,850
Other receivables	6	6,370	4,395
Prepayments	7	13,708	13,276
Cash and short term deposit	8	11,349,344	10,392,183
		11,400,236	10,674,704
<b>Total assets</b>		<u>11,404,033</u>	<u>10,687,793</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	9	176,221	154,528
		176,221	154,528
<b>Net assets</b>		<u>11,227,812</u>	<u>10,533,265</u>
<b>Represented by:</b>			
Accumulated fund	10	<u>11,227,812</u>	<u>10,533,265</u>

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

## APEC POLICY SUPPORT UNIT

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$	2020 \$
<b>Revenue</b>	11	2,883,749	2,630,093
Other income	12	151,967	200,356
Administrative expenditure	13	(2,341,169)	(2,447,483)
<b>Surplus for the year</b>		<u>694,547</u>	<u>382,966</u>

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

## APEC POLICY SUPPORT UNIT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$	2020 \$ (Restated)
<b>Cash flows from operating activities</b>			
Surplus for the year		694,547	382,966
Adjustments for:			
Depreciation of plant and equipment		10,959	10,864
Fixed deposit interest		(10,869)	(99,620)
		<u>694,637</u>	<u>294,210</u>
Change in working capital			
Increase in:			
Contribution receivable		234,036	(224,782)
Other receivables		(1,975)	54,881
Other payables		21,693	88,801
Prepayments		(432)	1,312
		<u>253,322</u>	<u>(79,788)</u>
Net cash from from operating activities		<u>947,959</u>	<u>214,422</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(1,667)	(355)
Fixed deposit interest		10,869	99,620
<b>Net cash flows from investing activities</b>		<u>9,202</u>	<u>99,265</u>
<b>Cash flows from financing activities</b>			
		-	-
Net increase in cash and cash equivalents		<u>957,161</u>	<u>313,687</u>
Cash and cash equivalent at beginning of year		<u>10,392,183</u>	<u>10,078,496</u>
Cash and cash equivalent at end of year	8	<u><u>11,349,344</u></u>	<u><u>10,392,183</u></u>

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

## APEC POLICY SUPPORT UNIT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### 2. 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 the 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.

##### 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 2020. The adoption of these standards did not have any material effect on the financial performance or position of the PSU.

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(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:

Description	Effective for annual periods beginning on or after
Amendment to FRS 116 <i>Leases: Covid-19-Related Rent Concessions</i>	1 April 2021
Amendments to FRS 16 <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to FRS 37 <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to FRS 1 <i>Presentation of Financial Statements</i> and FRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to FRS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i>	1 January 2023
Amendments to FRS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to FRS 110 <i>Consolidated Financial Statements</i> and FRS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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.

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

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

## 2.4 Plant and equipment (Continued)

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 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.

## 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 is measured at the amount of consideration to which the PSU expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

**Subsequent measurement***Investments in debt instruments*

Subsequent measurement of debt instruments depends on the PSU's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of financial assets are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL. The PSU only has debt instruments at amortised cost.

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

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

## 2.5 Financial instruments (Continued)

## (a) Financial assets (Continued)

**Subsequent measurement (Continued)***Investments in debt instruments (Continued)*

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.

## (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.

**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.

## APEC POLICY SUPPORT UNIT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

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

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

##### 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 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 reversal is recognised in profit or loss.

**APEC POLICY SUPPORT UNIT**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)**

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

**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 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.

**2.10 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.

**2.11 Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and fixed deposits.

**2.12 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 PSU'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. Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

**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.

## APEC POLICY SUPPORT UNIT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (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 the point in time when the PSU obtains the rights to receive cash from the respective member economies.

##### (a) Contribution from member economies

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

##### (b) Interest income

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

#### 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

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

##### 3.2 Key sources of estimation uncertainty

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

##### Expected credit loss (ECL)

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

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 4. Plant and equipment

	Computer \$	Furniture and fittings \$	Office equipment \$	Software \$	Total \$
<b>At cost</b>					
At 1.1.2020	85,199	15,742	10,479	9,426	120,846
Additions	-	355	-	-	355
At 31.12.2020 and 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	85,199	16,097	11,606	9,426	122,328
<b>Accumulated depreciation</b>					
At 1.1.2020	62,183	15,236	10,403	9,426	97,248
Charge for the year	10,579	210	75	-	10,864
At 31.12.2020 and 1.1.2021	72,762	15,446	10,478	9,426	108,112
Charge for the year	10,135	308	516	-	10,959
Disposal	-	-	(540)	-	(540)
At 31.12.2021	82,897	15,754	10,454	9,426	118,531
<b>Net book value</b>					
As at 31.12.2021	2,302	343	1,152	-	3,797
As at 31.12.2020	12,437	651	1	-	13,089

## 5. Contribution receivable

	2021 \$	2020 \$
Member economy	30,814	264,850

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

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 6. Other receivables

	2021	2020
	\$	\$
GST recoverable	4,568	1,447
Interest receivable	1,802	2,948
	<u>6,370</u>	<u>4,395</u>

## 7. Other assets

	2021	2020
	\$	\$ (Restated)
Prepayments	13,708	13,276
	<u>13,708</u>	<u>13,276</u>

## 8. Cash and short-term deposits

	2021	2020
	\$	\$
Bank balances	3,282,889	2,427,851
Fixed deposits	8,066,455	7,964,332
	<u>11,349,344</u>	<u>10,392,183</u>

Fixed deposits are placed with financial institutions and earn interest at the rates ranging from 0.08% to 2.6% per annum (2019: 1.38% to 2.6%). The fixed deposits are on auto rollover and have maturity terms of 183 days to 365 days (2019: 183 days to 267 days) from the reporting date.

## 9. Other payables

	2021	2020
	\$	\$
Accrued operating expenses	119,918	82,302
Unutilised leave liabilities	56,303	72,226
	<u>176,221</u>	<u>154,528</u>

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 10. Accumulated funds

	2021 \$	2020 \$
Movement in accumulated fund:		
At beginning of year	10,533,265	10,150,299
Surplus for the financial year	694,547	382,966
At end of year	<u>11,227,812</u>	<u>10,533,265</u>

## 11. Revenue

Contribution from member economies:

	2021 \$	2020 \$
Australia	553,710	525,490
China	-	264,850
Hong Kong, China	336,924	-
Japan	737,068	772,690
Korea	375,944	342,221
New Zealand	172,364	116,833
The Philippines	30,814	11,021
Chinese Taipei	136,025	67,288
United States	540,900	529,700
	<u>2,883,749</u>	<u>2,630,093</u>

All the revenue are recognised at a point in time.

## 12. Other income

	2021 \$	2020 \$
Fixed deposit interest	10,869	99,620
Foreign currency exchanges gain	135,264	-
Gain in disposal of plant and equipment	525	-
Others	5,309	100,736
	<u>151,967</u>	<u>200,356</u>

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 13. Administrative expenditure

	2021	2020
	\$	\$
Accountancy fee	6,000	6,000
Audit fee	4,180	3,800
Bank charges	1,338	952
Consultants and research fee	394,166	276,114
CPF and SDL	67,040	71,926
Data subscription	8,045	1,279
Depreciation of plant & equipment	10,959	10,864
Foreign currency exchanges loss	-	64,872
Function expenses	-	163
FWL	256	1,300
General expenses	12,921	26,470
Insurance	22,176	22,672
Medical fee	1,668	3,556
Newspaper and periodical	1,559	2,088
Office and building maintenance	38,417	38,241
Printing and stationery	5,127	5,109
Professional fee	11,835	2,817
Postage and courier	85	63
Rental - office equipment	1,680	1,680
Staff salaries and bonuses	1,519,504	1,665,252
Staff welfare	226,063	225,345
Telecommunication	2,135	2,989
Transportation	806	911
Travelling expenses	3,386	11,433
Utilities	1,823	1,587
	<u>2,341,169</u>	<u>2,447,483</u>

## 14. Leases

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

Amount recognised in statement of comprehensive income as follow:

	2021	2020
	\$	\$
Lease expense not capitalised in lease liability:		
- Expense relating to lease of low-value asset	<u>1,680</u>	<u>1,680</u>

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 15. Low-value operating lease commitment

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

	2020 \$	2020 \$
Payable within 1 year	1,680	1,680
Payable after 1 year	420	2,100
	<u>          </u>	<u>          </u>

## 16. Financial Risk Management

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

The PSU Board reviews and agrees policies and procedures for the management of these risks, which are executed by the 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 (other receivables and cash), 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 do not require a 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.

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 16. 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 and the PSU's own trading records to rate its major customers and other debtors. 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 reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The PSU categorises a 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:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
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

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 16. Financial Risk Management (Continued)

## (a) Credit risk (Continued)

The table below details the credit quality of the Company'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 S\$	Loss Allowance S\$	Net Carrying amount S\$
<b>31 December 2021</b>						
Contribution receivables	5	Note1	Lifetime ECL (Simplified)	30,814	-	30,814
Other receivables	6	I	12-month ECL	1,802	-	1,802
<b>31 December 2020 (Restated)</b>						
Contribution receivables	5	Note1	Lifetime ECL (Simplified)	264,850	-	264,850
Other receivables	6	I	12-month ECL	2,948	-	2,948

Contribution receivables (Note 1)

For contribution receivables, the PSU has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The PSU determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of contribution receivables are presented based on their past due status in terms of the provision matrix.

	Contribution Receivables Days past due					Total S\$
	Not past due	≤30 days S\$	31-60 days S\$	61-90 days S\$	>90 days S\$	
<b>31 December 2021</b>						
ECL rate	*	*	*	*	*	
Contribution receivables	30,814	-	-	-	-	30,814
ECL	*	*	*	*	*	*
						<u>30,814</u>
<b>31 December 2020 (Restated)</b>						
ECL rate	*	*	*	*	*	
Contribution receivables	264,850	-	-	-	-	264,850
ECL	*	*	*	*	*	*
						<u>264,850</u>

\*Insignificant ECL rates/loss allowance.

**Excessive risk concentration**

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

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 16. Financial Risk Management (Continued)

## (a) Credit risk (Continued)

**Exposure to credit risk**

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

**Other receivables**

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 the financial assets. Accordingly, the PSU measured the impairment loss allowance using 12-month ECL 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.

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 31.12.2021</b>				
<b>Financial liabilities</b>				
Other payables	176,221	176,221	176,221	-
Total undiscounted financial liabilities	176,221	176,221	176,221	-
<b>As at 31.12.2020</b>				
<b>Financial liabilities</b>				
Other payables	154,528	154,528	154,528	-
Total undiscounted financial liabilities	154,528	154,528	154,528	-

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 16. Financial Risk Management (Continued)

## (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.

## (d) Interest rate risk

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

Interests earning financial asset is mainly fixed deposit interest from financial institutions. The interest rates of the PSU is disclosed in the notes to the financial statements.

	2021	2020
	\$	\$
<b>Financial assets</b>		
Fixed deposits	8,066,455	7,964,332
	<u>8,066,455</u>	<u>7,964,332</u>

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

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

	2021	2020
	\$	\$
Effect on surplus or deficit	80,665	79,643
	<u>80,665</u>	<u>79,643</u>

If the interest rates had been 1% lower and all other variables were held constant, the above would show an opposite effect.

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 16. Financial Risk Management (Continued)

## (e) Foreign currency risk

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

The PSU has transactional currency exposures arising from income or expenditure that are denominated in a currency other than the functional currency of the PSU, i.e. USD.

	2021 \$	2020 \$
<b>Financial assets</b>		
Contribution receivables	30,814	264,850
Other receivables	1,382	2,367
Cash and cash equivalents	7,212,883	6,596,995
	<u>7,245,079</u>	<u>6,864,212</u>
Currency exposure	<u>7,245,079</u>	<u>6,864,212</u>

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

	Effect on surplus or deficit	
	2021 \$	2020 \$
Financial assets	<u>362,254</u>	<u>343,211</u>

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

## 17. 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.

## APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
(Continued)

## 18. COVID-19 related disclosures

Management has not identified any material uncertainties resulting from the COVID-19 pandemic and the aftermath of the pandemic surrounding the PSU's business, and accordingly none is disclosed in these financial statements.

## 19. Comparative figures

Comparative figures for the financial year ended 31 December 2020 have been reclassified as below:

	Note	<u>As restated</u> \$	<u>As previously presented</u> \$	<u>Reclassification</u> \$
<b>31.12. 2020</b>				
<u>Statement of financial position</u>				
Other receivables	(i)	4,395	17,671	(13,276)
Prepayments	(i)	13,276	-	13,276
<u>Statement of cash flow</u>				
Cash flow from operating activities				
Other receivables	(i)	54,881	56,193	(1,312)
Prepayments	(i)	1,312	-	1,312

(i) Reclassifications were made in the financial statements for the previous year ended 31 December 2020. The reclassifications have been made to conform to the nature of the respective transactions and balances and to enhance comparability with current year's financial statements. These reclassifications did not have any significant impact to the financial performance and financial position of the Company in respective that financial year. As permitted by the financial reporting standard on the presentation of financial statements, the third statement of financial position at the beginning the preceding financial year is not presented because above splits or reclassifications have no material effect on the information in the statements of financial position at the beginning of the preceding financial year. Apart from these disclosures, other balances and notes are not impacted by the reclassifications.

## 20. Authorisation for issue of Financial Statements

The financial statements for the financial year ended 31 December 2021 were authorised for issue by PSU 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 2021, a breakdown of accrued operating expenses under Note 9 - Other payables is as follows:

**Accrued operating expenses**

	2021
	\$
2021 Q4 Expense Reimbursement (to APEC Secretariat)	9,495.61
2021 Q4 Professional Fees (to accountant, auditor and lawyer)	18,343.45
2021 Q4 Invoices (to vendors)	28,337.55
12/2021 Salary (to staff)	<u>63,741.02</u>
Total	<u><u>119,917.63</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 that was developed since the first strategic plan (2013-2017). Over the years, the PSU has built a strong body of knowledge in the five core areas under the agenda, namely: (1) trade and investment liberalization and facilitation; (2) structural reform; (3) connectivity including supply chain connectivity and global supply chains; (4) economic and financial analysis; and (5) sustainable economic development.

In the coming year, the PSU will orient the agenda towards the 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, a living document which is key to implementing the Vision.

**PSU BOARD MEMBERS**

Mrs Tamsin Royson, New Zealand	PSU Board Chair (current Host Economy)
Ms Patcharamon Siriwatana, Thailand	PSU Board Vice-Chair (next Host Economy)
Ms Asmidar Abdul Rahman, Malaysia	Immediate Past Host Economy representative
Mr David Jory; and Mr James Dalton, Australia	Contributing Economies: SOM and/or their representatives
Mr Jin Bo, China	
Ms Helen Kwan; and Ms Joanie Fok, Hong Kong, China	
Mr Niikura Takayuki; and Ms Nanako Ishikawa, Japan	
Ms Choi Yunseon; and Ms Jiin Byun, Korea	
Mr Eric Tamayo, the Philippines	
Ms Chin Siew Fei; and Ms Yvonne Liu, Singapore	
Mr Yu-Chieh Wang, Chinese Taipei	
Ms Emily Fischer, USA	
Dr Rebecca Fatima Sta Maria	
Dr Denis Hew	APEC PSU Director
Ms Krasna Bobenrieth	CTI Chair
Mr James Ding	EC Chair
Mr James Beard	SFOM Chair

**PSU STAFF MEMBERS**

Dr Denis Hew Wei Yen	PSU Director
Ms Chang Hui Ling	Administrative Executive
Ms Esther Neelavani d/o Magalingam	Administrative Assistant
Ms Aveline Low Bee Hui	Policy Advisor
Mr Carlos Kuriyama	Senior Analyst
Dr Akhmad Bayhaqi	Senior Analyst
Mr Emmanuel A. San Andres	Analyst (Senior Analyst from 1 January 2022)
Mr Andre Wirjo	Analyst
Ms Rhea Crisologo Hernando	Researcher
Ms Satvinderjit Kaur	Researcher (until 15 October)
Mr Jason Carlo Ong Carranceja	Researcher (until 3 September)
Mr Allan Goh Chye Soon	Researcher (until 11 May)

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