



**Asia-Pacific
Economic Cooperation**

2020/SOM1/PSU/BM35/002

Agenda Item: 1

34th Policy Support Unit Board Meeting – Record of Outcomes

Purpose: Information

Submitted by: Policy Support Unit, APEC Secretariat



**35th Policy Support Unit Board Meeting
Putrajaya, Malaysia
17 February 2020**

34th POLICY SUPPORT UNIT (PSU) BOARD MEETING
Record of Outcomes
Puerto Varas, Chile
28 August 2019

Attendees

Chair – Chile

Board Members – Australia; Chile; Hong Kong, China; Japan; Korea; Malaysia; New Zealand; the Philippines; Singapore; Chinese Taipei; and the United States

Ex-officio Members – CTI Chair; PSU (Director)

Observers – Canada; China; and staff members from PSU

Outcomes

1. The Board adopted the agenda (2019/SOM3/PSU/BM34/001).

Item 1: Record of Outcomes from 33rd PSU Board Meeting on 13 May 2019

2. The Board noted the approved record from the last meeting (2019/SOM3/PSU/BM34/002).

Item 2: PSU Half Year Evaluation Report

3. The Board approved the half year evaluation report for the six-month period ending 30 June 2019 (2019/SOM3/PSU/BM34/003).

Item 3: PSU Operational Budget and Financial Sustainability

3.1 PSU Operational Budget for 2020

4. The Board approved the PSU operational budget for 2020 (2019/SOM3/PSU/BM34/004).
5. The Board noted the following points:
 - 1) Responding to CTI Chair, PSU clarified it may not spend project-tied contributions in the year it receives them and that it will depend on individual project. PSU cited an example – while it received a contribution from Japan in 2018 for project that supports the women and economy sub-fund, it was only spent in 2019 after the PSU Board had approved PSU to undertake the project.
 - 2) The U.S. clarified that their 2019 financial contributions to PSU is pending finalization of documents and subject to funding availability. Additionally, the U.S. proposed the Board to consider approving less projects should PSU receive a financial contribution amount that is less than its operating expenditure, to avoid a deficit situation in its annual budget.

3.2 Financial Sustainability

6. The Board noted the update on PSU's financial situation (2019/SOM3/PSU/BM34/005).
7. The Board also noted the following ensuing discussions:
 - 1) Minimum contribution and sustainability: Korea; Chinese Taipei; and Japan reiterated support to the proposal on universal minimum contribution. The U.S. and New Zealand emphasized the need to find a permanent or sustainable solution to the issue of financial sustainability given the increasing workload and demands on PSU and noting that the APEC Vision Group mentioned about the long-term funding for PSU.

Korea and Australia welcomed discussion on other proposals to address the issue. Australia encouraged members to continue contributing to PSU.

- 2) Raising awareness: Chinese Taipei raised a question on the relevance of PSU in APEC, given the low response to the PSU survey and an observation that most of their working groups do not know the role of PSU since it works mostly on CTI issues. To encourage more contributions to PSU, they suggested going back to the starting point to raise awareness of PSU among the working groups.

The U.S. and New Zealand noted the limitation of survey as an evaluation tool as it may not capture the full value of support PSU provides to APEC groups, and the targeted nature of PSU's work. To the U.S., the fundamental value of PSU is as an analytical, evidence-based policy practice that can ground the ideas of policymakers on evidence and data. This is consistent with findings from the annual assessment that economies rely on PSU for analysis and evidence-based work. They also recognized the many services PSU provides to economies within the APEC context. New Zealand echoed the strong positive response by survey respondents on the support they receive from PSU, such as the value of PSU to EC's work particularly in the area of structural reform.

- 3) Funding from APEC project funds: Japan suggested that instead of outsourcing APEC-funded projects to external consultancy firms, to increase the number of researchers in PSU so economies could request PSU to undertake those projects. The U.S. and PSU noted that the idea would need more deliberation, such as whether economies can use APEC project funds to pay for human resources in PSU and if it would become another project-tied contribution to PSU. The U.S. added that one of the challenges is to ensure there are consistent financial resources to PSU not tied to projects, and which will give it flexibility to undertake projects responding to APEC or host economy's priorities.

Item 4: PSU Research Plan

8. The Board noted the PSU research plan, a living document prepared by PSU to align with the new Effective Action Plan of the APEC Secretariat (2019/SOM3/PSU/BM34/006).
9. The Board had some discussion about project prioritization and financial sustainability, and requested PSU to take them on board:
 - 1) PSU addressed the U.S. query that it has declined project requests that fall outside the five core areas and for reasons of technical expertise or bandwidth. It signalled a possible need in future for the Board to consider prioritizing projects in view of its limited bandwidth and declining contributions. Options surfaced include restricting projects to those proposed by SOM and committees and for working groups to make their case for project requests to PSU through the respective committee, and ranking project proposals. The U.S. added that the former could be a system of prioritizing projects and allocating resources to those that are most important to SOM and committees. New Zealand suggested more deliberation on the issue.
 - 2) New Zealand observed the relevance of the research plan to the discussion. Specifically, they commended the characterization of the three objectives – how the achievement of the first objective (maintain quality and increase utility of PSU products) will lead to the second objective (raise profile of PSU), which in turn leads to the third objective (ensure sustainability and enable future growth).

Item 5: Project Updates and Updated Work Program

5.1 Project Updates

10. The Board noted updates by PSU on the following projects (2019/SOM3/PSU/BM34/007).
 - 1) Taking Forward the Lima Declaration on FTAAP - Study on Tariffs
 - 2) APEC's Bogor Goals Dashboard 2019
 - 3) Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2018 by APEC Economies

- 4) Structural Reform Measures to Improve Women's Access to Labor Markets, Finance and Capital
- 5) Insights on the Regulatory Environment within APEC Economies and Its Impact on Trade in Services in Food Value Chains
- 6) The APEC Women and the Economy Dashboard 2019
- 7) Peer Review & Capacity Building on APEC Infrastructure Development & Investment (Reviewed Economy: Indonesia)
- 8) Mid-term review of APEC Supply-Chain Connectivity Framework Action Plan Phase II
- 9) Investment Facilitation Action Plan Implementation Progress 2017-2018
- 10) Compendium of Preventive Measures and Policies that APEC Economies are Taking to Reduce Land-based Marine Debris
- 11) Overview of the SME Sector in the APEC Region: Key Issues on Market Access and Internationalization
- 12) Mid-term Review of APEC Connectivity Blueprint
- 13) 2019 APEC Economic Policy Report: Structural Reform and Digital Economy
- 14) Technical Support to Capacity Building Package on Advancing Financial Inclusion in APEC Economies
- 15) Assessment of APEC Strategy for Strengthening Quality Growth

11. The Board also noted comments and discussion on these projects:

- 1) 2019 APEC Economic Policy Report (AEPR): Structural Reform and Digital Economy: New Zealand and the U.S. expressed appreciation to PSU for its efforts in the production of AEPR, specifically in contractual management, the additional analytical inputs it provided amidst short notice, and the quality of report produced. Addressing the U.S. comment on whether the current process can be improved, PSU suggested the following if it were to support future AEPRs. One, for PSU to have more say in the selection of consultant; two, for EC to endorse the project terms of reference as early as possible to provide more lead time for requesting proposals and selecting consultants; and three, to have a focused topic for AEPR.

On the topic for 2020 AEPR, Malaysia hoped EC could endorse it as soon as possible. In view that they will be in the Core Team next year, they registered their support to work with PSU to ensure the timely completion of report.

- 2) Assessment of APEC Strategy for Strengthening Quality Growth (ASSQG): The Philippines, noting the endorsement of assessment plan and questionnaires, expressed appreciation to PSU and looked forward to its completion next year. They noted the association between priorities shared at the recent ABAC3 and key accountability areas in ASSQG.
- 3) Overview of the SME Sector in the APEC Region: Key Issues on Market Access and Internationalization: To the U.S. query about its experience with survey, PSU responded that the normal response rate to its survey is 50%. When designing surveys, it considers whether members can answer them and if they have the data. There is always a backup plan in case of low response. For the SME survey, PSU understands the difficulty in getting data from members hence it has tried to obtain them from secondary sources. For an earlier survey on standards and conformance, it had sent the draft questionnaire to members first for comments but likewise the response rate was 50%. For other surveys, PSU experienced an uptake in response after it presented preliminary findings to the APEC groups concerned. PSU added that the use of survey would depend on the kind of projects. Due to the risk of low response, it is common to complement survey with other methods such as interview or focus group discussion.

5.2 PSU Work Program as at 1 August 2019

12. The Board confirmed the work program (2019/SOM3/PSU/BM34/008).

5.3 Other Project Updates & Matters

- 13. The Board noted updates by PSU on upcoming projects, outreach and collaboration (2019/SOM3/PSU/BM34/007).

Item 6: PSU Annual Assessment

- 14. The Board noted the annual assessment on work completed by PSU in 2018, which PSU prepared using the new performance framework (2019/SOM3/PSU/BM34/007 and 009).

- 15. The Board also noted the following comments and discussion:

- 1) Performance framework and StatsAPEC: Responding to the U.S., PSU commented that the performance framework has helped shift the reporting to focus more on outcomes. It faced challenge however, in obtaining information from the survey on whether and how the use of PSU products has led to changes in their economies (medium-term outcome). PSU requested members to inform them if they know of officials or agencies in their economies using PSU products so it can follow up with them. In the case of StatsAPEC, PSU updates it twice a year – in June and December.
- 2) Survey response: Singapore expressed support for PSU and commended on the work it has done and the products it releases every year. They noted positive feedback from the assessment that PSU products not only supported but also improved the quality of discussions on key issues. Observing however, that the response to PSU survey remained relatively low at about 30% every year, they suggested PSU to consider how it can encourage all economies to respond to the survey to improve the accuracy of results. One option could be to distribute physical survey forms during APEC meetings rather than via e-mails.

In relation to the earlier discussion, Singapore concurred with the need to raise awareness of PSU and its importance and usefulness. They suggested finding out from economies who have not been providing financial contributions if they find PSU’s work useful and if yes, how they can contribute to its funding. Economies when deciding whether to contribute to PSU can also think about if they see any disadvantage should there be no PSU.

On encouraging more survey response, the U.S. related the case of APEC-funded projects where project overseers and APEC groups will not be able to submit new concept notes or have any proposal approved until they submit their monitoring or completion reports. This could be another option to consider, and the response will allow PSU to know which APEC groups are interested to continue working with it.

PSU added that it administered the survey via an online survey tool, SurveyMonkey, and designed the survey such that it will be easy to complete. Additionally, since it administered the survey by APEC groups, it was able to know the response from each group. It noted higher response from the groups PSU works closely with, namely SOM, CTI and EC.

Item 7: Staff Matters

- 16. The Board noted the completion of internship by three interns and the recruitment of a new part-time intern.

Item 8: Other Business

- 17. The Board approved the Document Classification List (2019/SOM3/PSU/BM34/000).
