



**Asia-Pacific  
Economic Cooperation**

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

# **APEC's Ease of Doing Business – Final Assessment 2015-2018**

**APEC Policy Support Unit**

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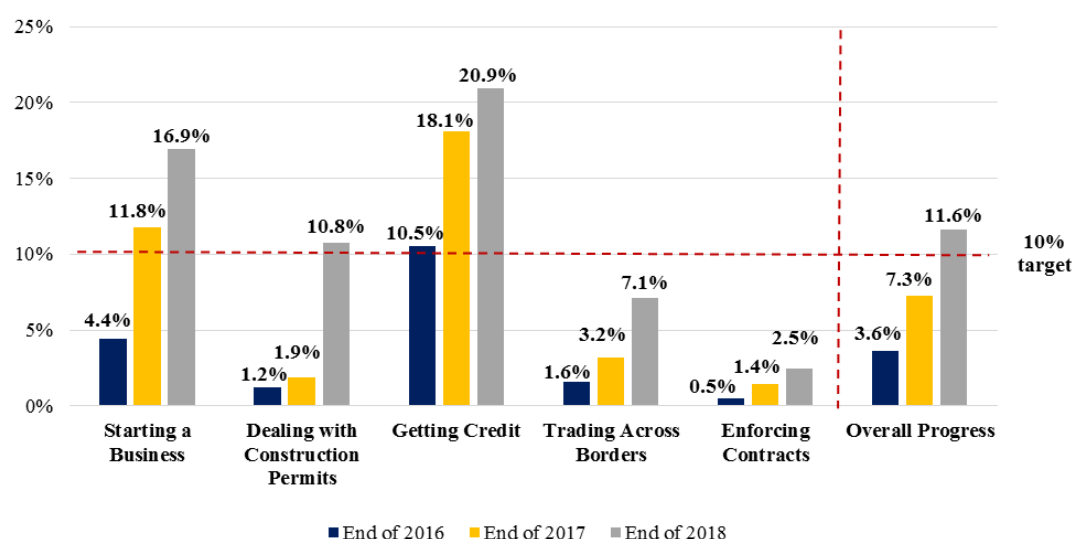
## EXECUTIVE SUMMARY

This report is the final assessment of APEC's Ease of Doing Business (EoDB) Second Action Plan 2016-2018. It takes into account indicators released by the World Bank in five priority areas, namely: 1) Starting a Business; 2) Dealing with Construction Permits; 3) Getting Credit; 4) Trading Across Borders; and 5) Enforcing Contracts.

Using 2015 as a baseline year, this assessment compares the figures obtained by APEC in 2018 to those registered in the baseline year to determine whether APEC's combined performance achieved the overall target of 10% improvement across all priority areas for the period 2016-2018.

Examining the average values recorded by the APEC region shows that APEC met its 10% improvement target, achieving a combined progress equal to 11.6%. All priority areas showed progress year by year, but only three of them achieved their individual target of 10%: Getting Credit (20.9%), followed by Starting a Business (16.9%) and Dealing with Construction Permits (10.8%).

### APEC - Accumulated Overall Progress in the Ease of Doing Business Initiative (Average Values: Years 2016-2018)



Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2017, 2018 and 2019 databases.

Despite falling short of the target, the progress in Trading Across Borders was also substantial at 7.1%. Additionally, while progress in Enforcing Contracts was the lowest among all priority areas, it is remarkable to note that the APEC region advanced much more in this area in the three years of this EoDB Second Action Plan (2.5%; years 2016-2018), than in the seven years of EoDB First Action Plan (0.4%; years 2009-2015).

Remarkable progress was also made in several indicators from each priority area. In the case of Starting a Business, the average time in the APEC region went down by more than five days (from 16.1 to 10.9 days), and only one APEC economy still requires a paid-in minimum capital as a condition to start a business. Under Dealing with Construction Permits, significant improvements were found in all indicators: the average time to obtain a permit was reduced by almost 10 days from 139 to 129.2 days, while building quality control features (for example, quality of building regulations, strength of safety mechanisms and certification requirements,

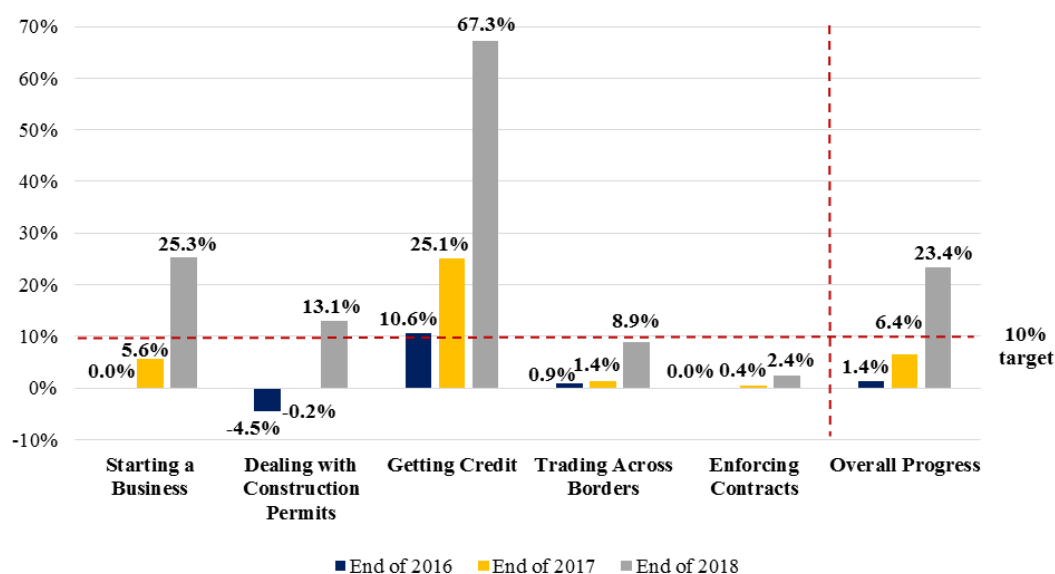
among others) were enhanced. On the other hand, progress in Getting Credit is explained by stronger legal rights and deeper credit information systems. In fact, the coverage of the adult population with their credit information available in public registries or private bureaus increased on average from 73.7% to 78.2% in three years.

In Trading Across Borders, both the average time and cost needed to export and import in APEC improved. It is now almost 7 days faster to export and 8 days faster to import than in 2015. Furthermore, the average cost of importing to the APEC region fell by 5.4% and the average cost of exporting from the APEC region declined by 4% in the last three years. Finally, with regards to Enforcing Contracts, more than a third of the APEC economies experienced an improvement in the perceived quality of their judicial processes.

This final assessment also analyzes the performance of the region's median values in the EoDB indicators for the five aforementioned priority areas during the same time period. APEC's combined overall median improvement stood at 23.4%, greater than both the EoDB initiative's 10% improvement target and APEC's overall average improvement of 11.6%.

Most of the progress in APEC's median performance was explained by improvements in the median indicators for Getting Credit (67.3%) and Starting a Business (25.3%). The median performance of Dealing with Construction Permits indicators also surpassed the 10% improvement goal at 13.1%. However, as with APEC's average progress in Trading Across Borders and Enforcing Contracts, the median progress for these priority areas failed to meet the 10% target. The collective median performance of Trading Across Borders indicators fell slightly short of this goal by recording a 8.9% progress – although APEC's median time to export and import declined by more than 10%, APEC's median cost to export only dropped by 6.3% while median cost to import remain unchanged since 2015. Lastly, median improvement for Enforcing Contracts clocked in at just 2.4%, which is still impressive given that in the five years of EoDB First Action Plan (2009-2015), APEC only registered an improvement of 1.1% in the same area.

#### APEC - Accumulated Overall Progress in the Ease of Doing Business Initiative (Median Values: Years 2016-2018)



Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2017, 2018 and 2019 databases.

Looking at both APEC's average and median progress, it is noticeable that most of the incremental change took place in 2018. Moreover, the fact that APEC's median values progressed more than average values in all priority areas – except Enforcing Contracts – suggests that improvements were likely explained by the collective efforts of several APEC economies. Had median improvements been much lower than average improvements, much of the progress would probably have been explained by positive changes in just a few APEC economies.

APEC has been able to achieve the 10% improvement target of the EoDB Second Action Plan by the end of 2018. However, APEC economies can still do more to facilitate business conditions as progress was uneven across all areas. Even in those individual priority areas where APEC has achieved the target, there is room for improvement. For instance, in Starting a Business, the time to start a business within the APEC region ranged from 0.5 day to 24.5 days. Also, in Dealing with Construction Permits, the minimum number of documents required to obtain a construction permit in an APEC economy is 10, higher than the 7 documents required by Marshall Islands and 8 documents needed in Montenegro and Sweden. Likewise, in Getting Credit, only 10 out of 21 APEC economies have public registries or private bureaus with credit information available regarding their entire adult populations.

In this regard, it is important for APEC economies to continue implementing reforms and policies to improve their performance in several Ease of Doing Business areas. Considering that the situation and characteristics of each APEC economy is different, this makes it challenging to provide “one-size-fits-all” recommendations. However, it is worth for APEC economies to examine measures from economies that have been successful in advancing towards ways to make it more efficient to do business. Some examples are: facilitating information exchange between business registry and tax authorities; increasing transparency of relevant fee schedules and requirements for construction permits; guaranteeing borrowers' right to inspect personal data; developing electronic document processing systems to streamline export and import documentary compliance; and providing tax exemptions for arbitrators and mediators.

Capacity-building activities will also be useful in closing the gap across economies. Such pursuits are very relevant to APEC nowadays, as these will also complement efforts that economies are doing to implement the Renewed APEC Agenda for Structural Reform (RAASR) aiming to strengthen economic resilience. As the APEC's EoDB Second Action Plan draws to an end, this report outlines APEC's achievements in enhancing the business environment of the region as well as the areas left for improvement. Given the admirable progress of APEC between 2015 and 2018 this is a good opportunity for APEC to keep the momentum going. During 2019, APEC should discuss what sort of work can be done to further improve the business environment. Among the possibilities include APEC extending an initiative similar to the Second Action Plan and/or doing work in selected old and new priority areas. Other options could include a new initiative complementing and going beyond Doing Business indicators by focusing on sustainability of regulatory reforms, better regulation and implementation of reforms.



## **1. INTRODUCTION: APEC’S EASE OF DOING BUSINESS**

### **A. HISTORY**

The Second APEC’s Ease of Doing Business (EoDB) Action Plan is the continuation of the initial EoDB initiative launched by APEC in November 2009, with the goal of improving the business environment in the APEC region. Through regulatory reforms, APEC economies endeavor to make it cheaper, faster and easier to do business<sup>1</sup>.

Based on the World Bank’s Doing Business program, this initiative focuses its attention in five priority areas, namely: 1) Starting a Business; 2) Dealing with Construction Permits; 3) Getting Credit; 4) Trading Across Borders; and 5) Enforcing Contracts.

Since the beginning, APEC’s EoDB initiative aims to make doing business more efficient across the region. In this regard, APEC, with the support of champion economies in each priority area, has been implementing a series of activities such as capacity-building events, diagnostic studies, advisory services and guided visits to improve the competitiveness of its members.

Despite the fact that APEC fell short of the overall target of 25% improvement during the First APEC’s EoDB Action Plan for the period 2010-2015, the progress achieved then cannot be ignored as the business conditions in the region have improved. Currently, it is cheaper, faster and easier to do business than prior to the first Action Plan, benefitting both businesses and customers. Additionally, this initiative has helped the APEC region “to formalize a space for public discussion in order to identify and promote actions to improve the quality of regulations”<sup>2</sup>.

The vast support by APEC economies to continue with this initiative motivated its extension for three additional years until 2018. The Second APEC’s EoDB Action Plan for the period 2016-2018 focused on the same priority areas and emphasized capacity-building activities tailored to address the main challenges faced by economies when implementing reforms. Champion economies with successful experiences were in charge of organizing these capacity-building activities. The following list shows those APEC champion economies with their corresponding priority area:

- Starting a Business: New Zealand and the United States
- Dealing with Construction Permits: Singapore
- Getting Credit: Mexico and the United States
- Trading Across Borders: Malaysia and Singapore
- Enforcing Contracts: Hong Kong, China and Korea

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<sup>1</sup> APEC (2009), “Discussion Paper on Ease of Doing Business (EoDB)”, 2009/SOM/023, Concluding Senior Officials’ Meeting – Plenary Session, 9 November.

<sup>2</sup> APEC Policy Support Unit (2016). “APEC’s Ease of Doing Business – Final Assessment 2009-2015”, APEC Secretariat, APEC#216-SE-01.10, p. 33.

## B. OVERALL TARGET

The overall target for the Second APEC's EoDB Action Plan 2016-2018 was a collective 10% improvement across the five priority areas. The assessment used the results in year 2015 as baseline to calculate the progress achieved by APEC on an annual basis.

The selection of this quantitative target, endorsed by the APEC Economic Committee, took into account several factors. First, for credibility reasons, it was important to set a target that was neither overambitious nor unimpressive. Second, the progress obtained during the First APEC's EoDB Action Plan highlighted that it is challenging for economies to maintain or surpass the current improvement rates in the future: as economies upgrade their business environments, it becomes more difficult for them to achieve any subsequent progress. Lastly, the decision considered the views of APEC economies, many of which supported the establishment of a quantitative target, as "governments could be more motivated to pursue policies to get closer to the target"<sup>3</sup>.

Considering that APEC economies preferred to extend this initiative for three more years, it was clear that it was not realistic to set a target of 5% improvement per year (15% improvement for the whole period) based on the fact that APEC improved at an average rate of 2.5% per year during the First APEC's EoDB Action Plan. Similarly, a target of 2.5% per year (7.5% improvement for three years) would have been deemed as not ambitious enough. In this sense, establishing an overall target rate equivalent to a 10% improvement (i.e. 3.3% improvement per year) was considered a suitable target for APEC member economies.

## C. MEASUREMENT APPROACH

To assess the progress of the APEC region, this report calculated the APEC average annual values of each indicator in the EoDB priority areas. Averages for year 2018 were compared against those of the baseline year 2015 to calculate improvement rates for each indicator. In each priority area, a combined improvement rate was computed by a simple average of the improvement rates of indicators belonging to that priority area. The combined improvement rates for the five priority areas were then simple averaged in order to obtain the overall progress by the APEC region in the EoDB initiative for year 2018.

The assessment also included median values for a more comprehensive assessment. The calculation of progress by comparing APEC's median values was similar to the process explained in the previous paragraph: improvement rates were calculated from the medians of the same indicators in the baseline year 2015 and 2018. These improvement rates are then averaged to find the combined improvement for each priority area, which are then referenced to calculate the overall progress for the five priority areas. As noted in previous APEC's EoDB assessments, "the inclusion of median values is justified by the presence of extreme values (outliers) in many of the EoDB indicators ... median values provide a closer indication of the trend that APEC members are collectively following in their EoDB indicators."<sup>4</sup>

Compared to the final assessment of the First EoDB Action Plan, the Second EoDB Action Plan's final assessment includes some methodological changes. These changes are necessary

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<sup>3</sup> APEC Policy Support Unit (2015). "APEC's Ease of Doing Business – Interim Assessment 2009-2014", APEC Secretariat, APEC#215-SE-01.17, p. 33.

<sup>4</sup> Ibid, p. 6.

due to modifications in the World Bank's Doing Business database and widespread progress achieved by APEC economies in one of the indicators.

In the Starting a Business priority area, this report does not include the progress made by APEC in the indicator concerning the paid-in minimum capital required to initiate a business in the calculations, as was done in the first EoDB Action Plan, because this requirement was already abolished by all APEC economies – except one – as of 2018.

The priority areas Dealing with Construction Permits and Enforcing Contracts included new indicators presented as indices<sup>5</sup> to measure the availability of particular features in their regulatory frameworks. These indices are included in the assessment and take a higher value when economies incorporate more of those specific features. However, APEC's progress in these indices are calculated not by comparing their scores, but comparing the distance to frontier in each of the indices between 2015 and 2018. The distance to frontier reflects the difference between any index's score and the maximum possible score.

Similarly, the Getting Credit priority area includes two indices: strength of legal rights and depth of credit information. Progress in these two indices was also calculated by using the distance to frontier methodology. Additionally, this priority area now includes a single indicator reflecting the percentage of the adult population with their credit information available in either public credit registries or private credit bureaus. In comparison, the assessment of the First APEC's EoDB Acton Plan included two separate indicators instead, one regarding public credit registries and the other on private credit bureaus.

More details on the methodological changes can be found in the Appendix.

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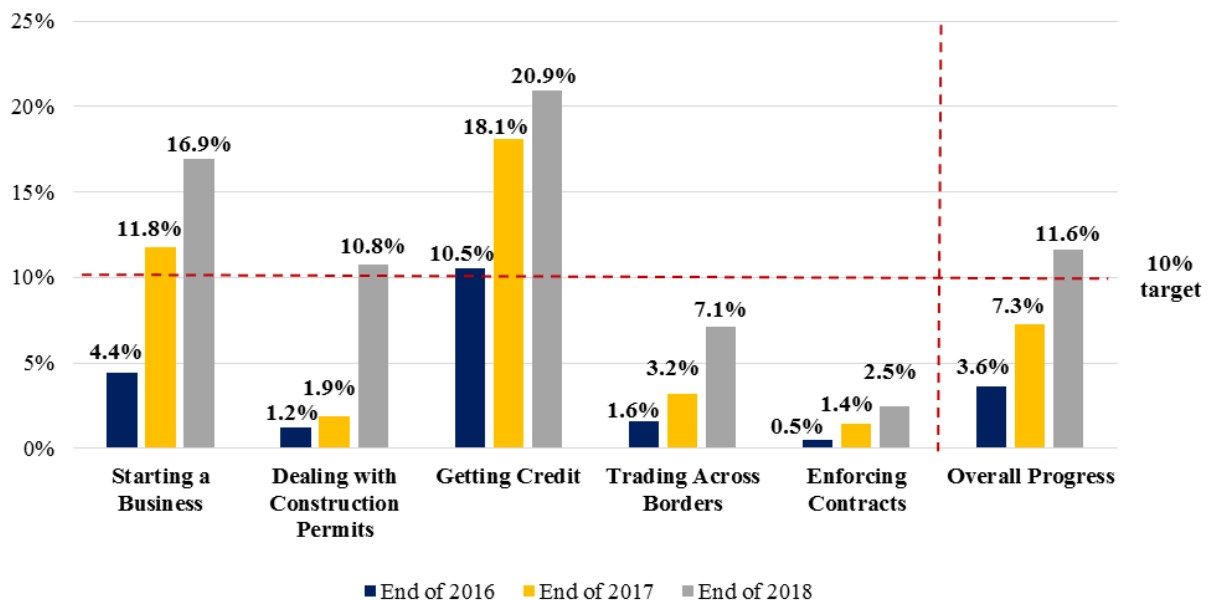
<sup>5</sup> These new indicators are: building quality index for Dealing with Construction Permits and the quality of judicial processes index for Enforcing Contracts.

## 2. APEC'S OVERALL PERFORMANCE

This final assessment of the APEC's EoDB Second Action Plan compares the collective performance of the APEC region between the baseline year 2015 and 2018 and determines the level of progress achieved during the three years of coverage (2016-2018).

The APEC region achieved the 10% improvement target set for this Second Action Plan. Examining APEC's average values shows that the combined progress was equivalent to 11.6%. All priority areas experienced progress year by year, but only three of them individually achieved the target: Getting Credit (20.9%), Starting a Business (16.9%) and Dealing with Construction Permits (10.8%). Progress in Trading Across Borders (7.1%) was significant but fell short of the target, whereas Enforcing Contracts (2.5%) experienced the lowest rate of progress among the priority areas.

**Figure 2.1: APEC - Accumulated Overall Progress in the Ease of Doing Business Initiative (Average Values: Years 2016-2018)**



Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2017, 2018 and 2019 databases.

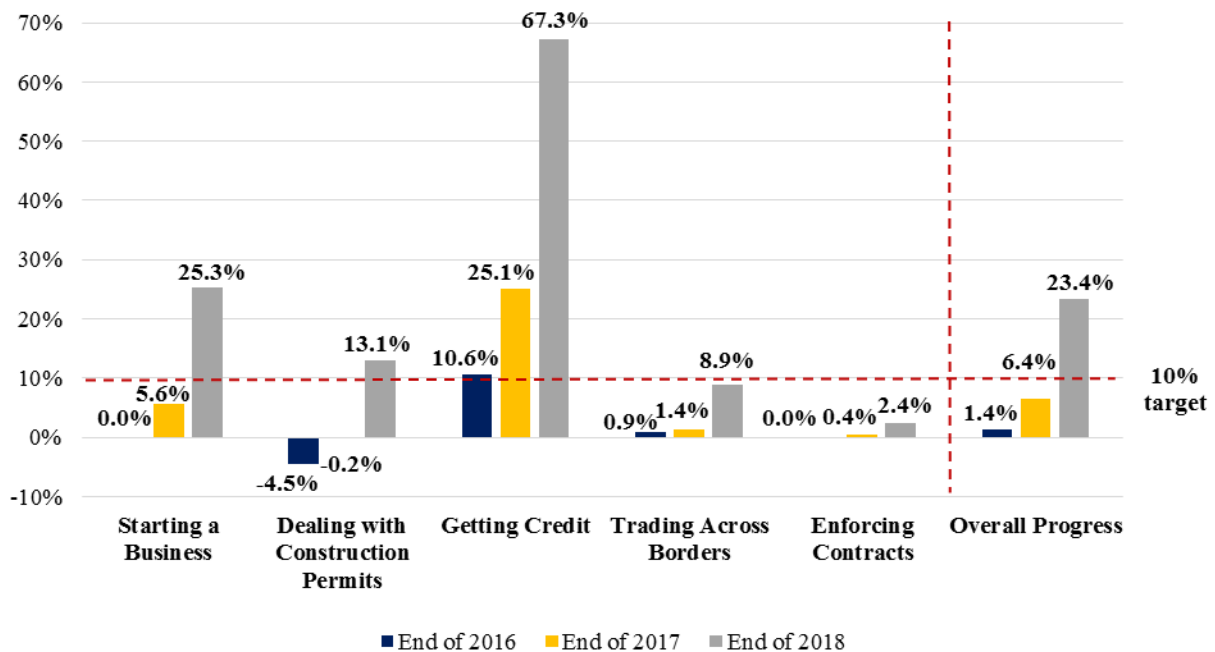
With respect to individual priority areas, progress in Getting Credit was explained by stronger rules and practices affecting credit information, increased availability of credit information as a percentage of the adult population, and improved legal rights systems. In the case of Starting a Business, substantial reductions in the number of days and procedures helped to improve APEC's performance in this area. For Dealing with Construction Permits, most of the progress is attributed to better building quality control systems and the cost reduction in obtaining a permit.

Regarding Trading Across Borders, it is cheaper and faster to export and import in the APEC region, but progress in time savings is more pronounced than improvements in cost efficiency. In Enforcing Contracts, almost all of the progress made is explained by improvements in the quality of judicial processes.

Besides achieving the collective 10% improvement target for its average performance, APEC also reached this target for its median performance. The combined overall median improvement was equal to 23.4% for the period 2016-2018.

Like APEC's average performance, most of the progress in APEC's median performance was explained by improvements in Getting Credit (67.3%), Starting a Business (25.3%) and Dealing with Construction Permits (13.1%). APEC's median indicators in the Trading Across Borders priority area recorded a 8.9% progress, while those on Enforcing Contracts moved forward by only 2.4%.

**Figure 2.2: APEC - Accumulated Overall Progress in the Ease of Doing Business Initiative (Median Values: Years 2016-2018)**



Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2017, 2018 and 2019 databases.

More details concerning the progress achieved by APEC in each priority area can be found in Chapter 3.

### 3. APEC'S IMPROVEMENTS BY PRIORITY AREAS

#### A. STARTING A BUSINESS

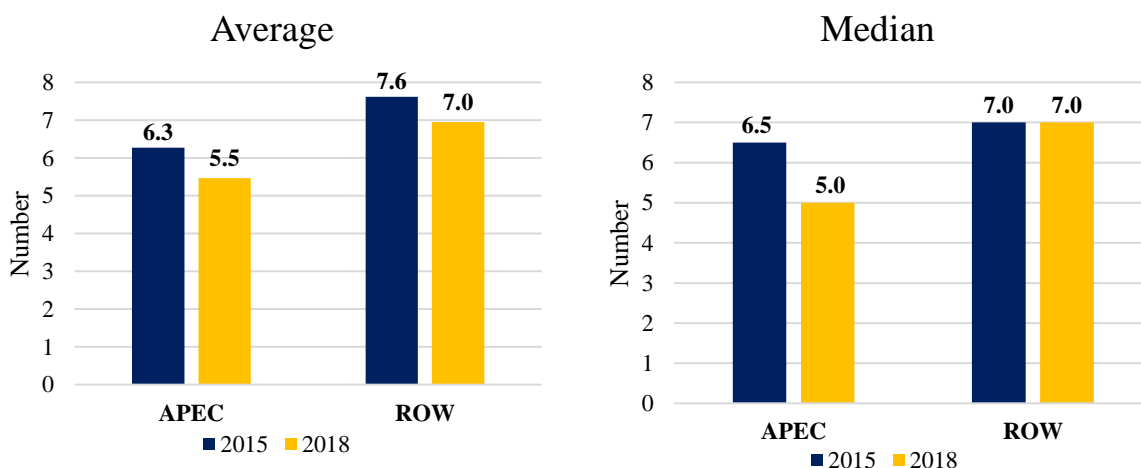
The Starting a Business indicators provide a measure of the procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, along with the time and cost to complete these procedures. Such procedures may include the need to obtain necessary approvals, licenses, permits and completing required notifications<sup>6</sup>. One of the Doing Business indicators regarding the paid-in minimum capital requirements to start a business has been excluded from calculations as only one economy still had this requirement in 2018<sup>7</sup>.

In this priority area, APEC's average and median combined progress were equal to 16.9% and 25.3% respectively, surpassing the overall 10% improvement target. Furthermore, APEC's average and median performances continued to outperform those of the Rest of the World (ROW) across all three indicators.

#### Procedures Required to Start a Business

As of 2018, the average and median number of procedures required to start a business in APEC were lower than in the ROW (Figure 3.1). While not many changes have occurred in the ROW, APEC has been successful in reducing the number of procedures. Within the APEC region, China experienced the largest change, eliminating five procedures. Nine APEC economies reported no change and two others noted an increase in number of procedures.

**Figure 3.1: Average and Median Number of Procedures Required to Start a Business**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

#### Time Required to Start a Business

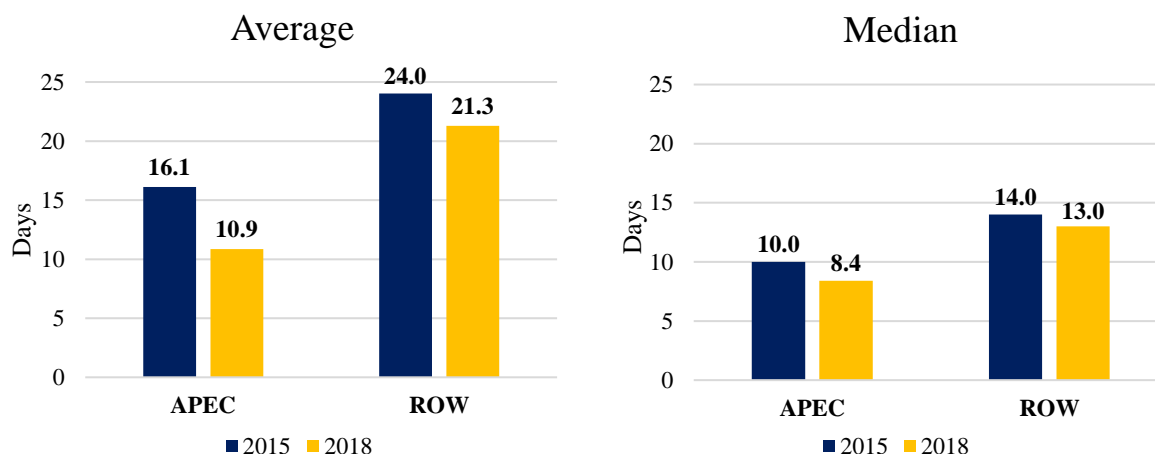
APEC, outperforming the ROW, has significantly reduced the time required to start a business (Figure 3.2). Between 2015 and 2018, the average time decreased from 16.1 to 10.9 days and

<sup>6</sup> World Bank. (n.d.). Methodology for Starting a Business. Retrieved December 20, 2018, from <http://www.doingbusiness.org/en/methodology/starting-a-business>

<sup>7</sup> The economy had a paid-in minimum capital requirement of 2.8% in 2018, a reduction from 3.0% in 2017. The average for the ROW was 6.7% in 2018, while the median was 0.0%, which indicates that a majority of the economies in the world have already abolished this requirement.

the median time also fell from 10 to 8.4 days. Indonesia experienced the largest improvement, reducing the time required to start a business by 28.2 days. Despite APEC's success in this area, two economies noted an increase in days required to start a business.

**Figure 3.2: Average and Median Time in Days Required to Start a Business**

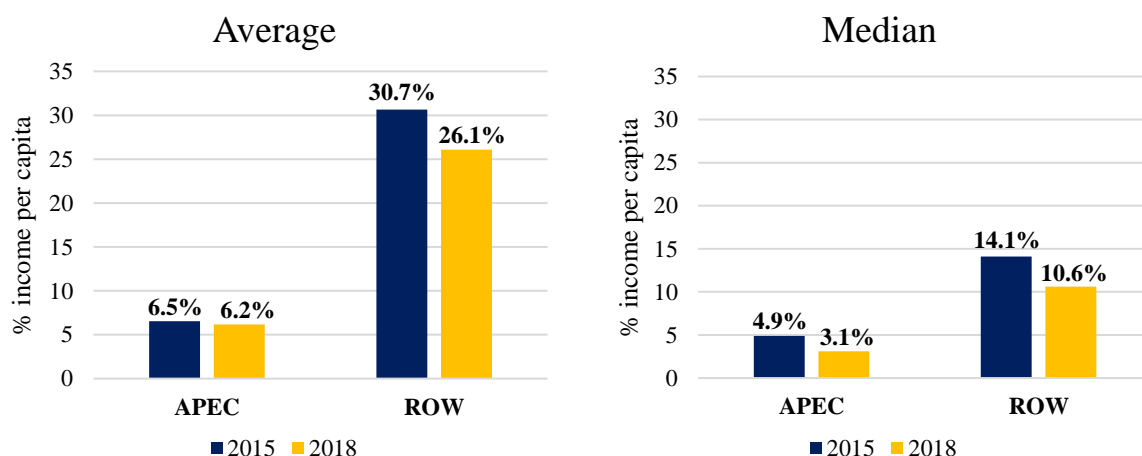


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### Cost to Start a Business

APEC's average and median costs to start a business remains much lower than in the ROW. Between 2015 and 2018, APEC's average and median costs to start a business as a percentage of income per capita registered slight improvements of 0.3 and 1.8 percentage points respectively (Figure 3.3). Indonesia's reduction in cost by 13.8 percentage points contributed significantly to APEC's improvement. However, the cost to start a business increased within six APEC economies, with two of these economies still having costs more than 20% of their income per capita. Meanwhile, three other APEC economies experienced a stagnation in costs.

**Figure 3.3: Average and Median Cost (% of income per capita) to Start a Business**



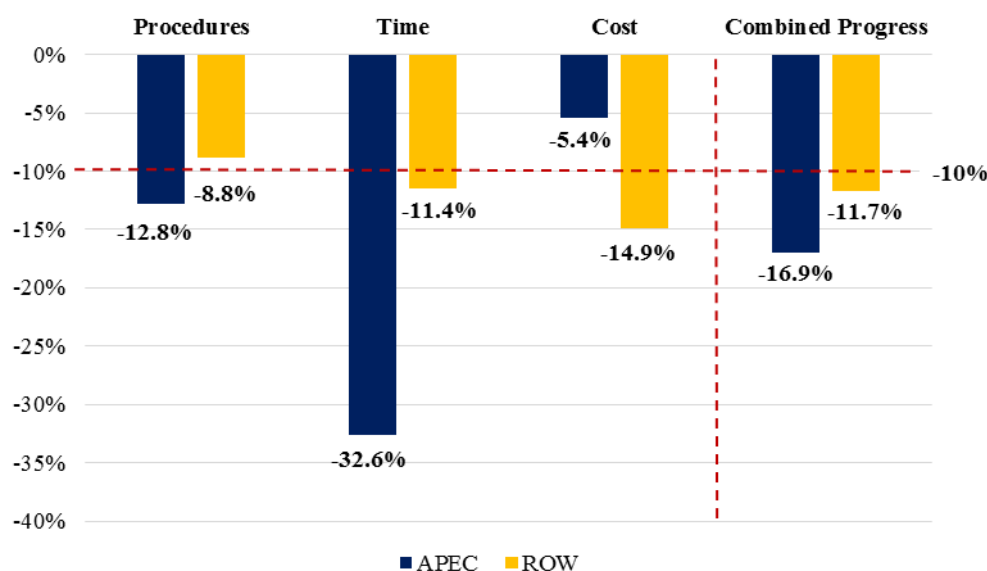
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### Overall Combined Progress in Starting a Business

Average values for two out of three indicators (i.e. number of procedures and time) under the Starting a Business priority area have met the 10% target (Figure 3.4). Likewise, APEC's average combined progress in this priority area easily surpassed the 10% target by posting a

16.9% improvement rate. While APEC's average cost to start a business did not reach the 10% improvement target, it is important to note that it is already substantially cheaper to start a business in APEC than in the ROW.

**Figure 3.4: Percentage Change in Average Values for Starting a Business Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

While the average cost required to start a business marginally missed the target (Table 3.1) by 0.3% of income per capita, the remaining two indicators were able to meet the target in 2018.

**Table 3.1: Comparison of APEC's Starting a Business Average Indicators with 2018 Targets**

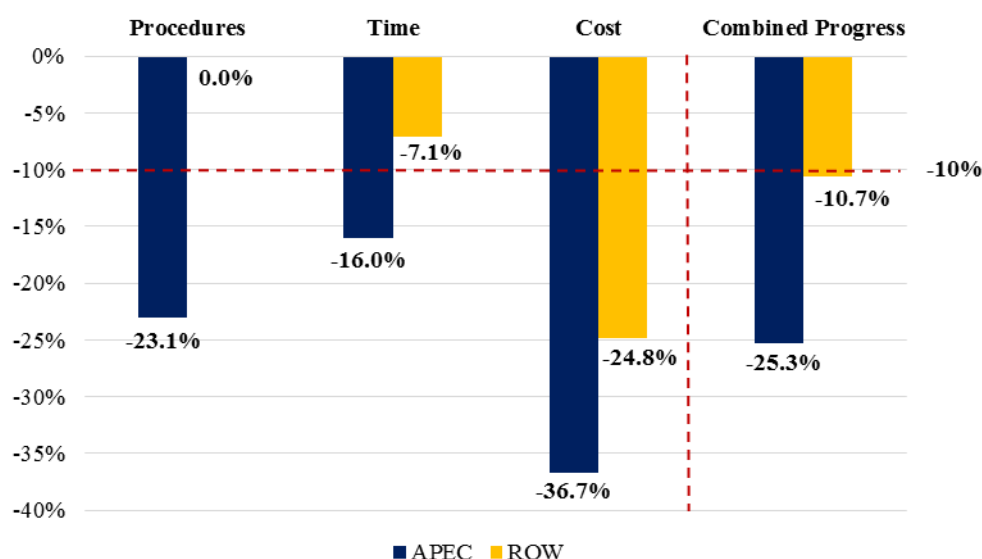
| Average Values                  | Procedures (number) | Time (days) | Cost (% of income per capita) |
|---------------------------------|---------------------|-------------|-------------------------------|
| <b>Current Situation (2018)</b> | 5.5                 | 10.9        | 6.2                           |
| <b>Overall Target</b>           | 5.6                 | 14.5        | 5.9                           |
| <b>Achieved Target?</b>         | YES                 | YES         | NO                            |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

As shown in Figure 3.5, APEC's median performance in all indicators concerning the Starting a Business priority area went beyond the 10% improvement target. On the whole, the combined median progress for APEC economies was equal to 25.3%. Compared to the average cost, the median cost to start a business in APEC had the largest improvement in percentage terms. This indicates that most APEC economies by and large made significant cost reductions, including APEC economies that had already been experiencing low costs.



**Figure 3.5: Percentage Change in Median Values for Starting a Business Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

Based on the median values, APEC easily surpassed the 10% improvement target in all three Starting a Business indicators (Table 3.2).

**Table 3.2: Comparison of APEC’s Starting a Business Median Indicators with 2018 Targets**

| Median Values                   | Procedures (number) | Time (days) | Cost (% of income per capita) |
|---------------------------------|---------------------|-------------|-------------------------------|
| <b>Current Situation (2018)</b> | 5.0                 | 8.4         | 3.1                           |
| <b>Overall Target</b>           | 5.9                 | 9.0         | 4.4                           |
| <b>Achieved Target?</b>         | YES                 | YES         | YES                           |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

The degree of reforms already undertaken by APEC economies varies across the region. In addition, due to the inherent characteristics of each APEC economy, it is not possible to provide “one-size-fits-all” policy recommendations for member economies to improve their performance in this priority area. However, economies could explore the feasibility of implementing measures that have successfully been implemented by some economies around the world in recent years, such as: eliminating the requirement to open a bank account before a company is registered; expediting the incorporation process for limited liability companies in areas such as book legalization, tax and social security registration; and facilitating information exchange between registry and tax authority. Other relevant reforms initiated by APEC economies have been detailed within Box 3.1.

### **Box 3.1: Improvements to Facilitate Starting a Business and Assist SME's in the APEC region**

APEC has continually encouraged governments to implement measures that make it easier for individuals to start a business. In this regard, several APEC economies have simplified procedures and incorporated new tools to seek more efficiency in the process.

Many APEC economies in Southeast Asia have implemented recent measures aiming to reduce documentation requirements and cut processing times. For example, Brunei Darussalam's reforms to the Registry of Companies and Business Names (ROCBN) merged the application for registering companies with that for reserving names. Share certificates are no longer required to be stamped upon company incorporation.

Indonesia launched an online business registration system that allows businesses to obtain some major permits from the relevant agencies within an hour after submission. Thailand eliminated the requirements to obtain a company's seal and the need for approval from the Labor Department on work regulation. In addition, incorporation fees have been reduced under the Smart MOC 4.0 initiative.

Finally, some APEC economies in Latin America have also implemented new procedures to facilitate the start of new businesses. For instance, since February 2018, in Chile it is mandatory for all businesses to use electronic invoices, because of the Law 20.727, published in January 2014. Likewise, as of February 2019, it is possible to register most businesses completely online. Similarly, Peru reduced the time needed to obtain a municipal license and a building safety technical inspection from the district council.

Sources:

- Borneo Bulletin. (2018). Brunei leaps to 55th place in World Bank's Doing Business Report. Retrieved from <https://borneobulletin.com.bn/brunei-leaps-to-55th-place-in-world-banks-doing-business-report/>
- Nikkei Asian Review. (2018). Indonesia starts online business registration with one-hour permit. Retrieved from <https://asia.nikkei.com/Economy/Indonesia-starts-online-business-registration-with-one-hour-permit>
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- Mondaq. (2019). UK: Thailand's Steps Towards Global Competitiveness. Retrieved from <http://www.mondaq.com/uk/x/767284/Constitutional%20Administrative%20Law/Thailands%20Steps%20Towards%20Global%20Competitiveness>
- Servicio de Impuestos Internos. (2018). A partir de hoy todas las empresas del país deben facturar electrónicamente. Retrieved from <http://www.sii.cl/noticias/2018/010218noti01er.htm>
- Andina. (2018). WBG: Peru implements reforms to improve business environment. Retrieved from <https://andina.pe/ingles/noticia-wbg-peru-implements-reforms-to-improve-business-environment-731337.aspx>

## B. DEALING WITH CONSTRUCTION PERMITS

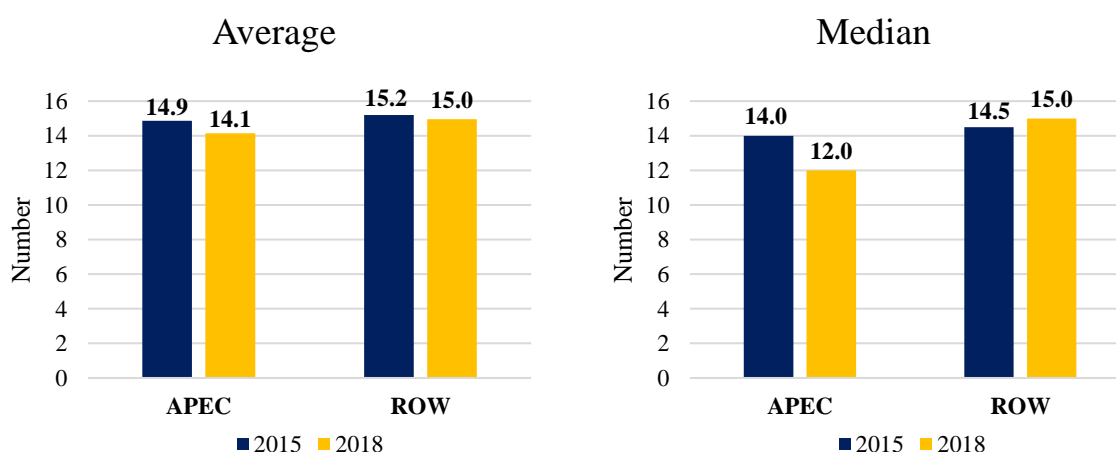
The indicators within this priority area assess the procedures required for a business in the construction industry to build a warehouse, the time and cost required to obtain construction permits, as well as the quality control of buildings. The building quality control index is an index ranging from 0 to 15, with higher values indicating better regulations and practices pertaining to building quality. This index is the sum of the scores of six other indicators: the quality of building regulations; the strength of quality control and safety mechanism before, during and after construction; liability and insurance regimes; and professional certification requirements<sup>8</sup>.

APEC's combined progress in Dealing with Construction Permits has met the 10% improvement targets for both average and median values. Between 2015 and 2018, APEC's average and median indicators in this priority area improved by 10.8% and 13.1% respectively. This achievement is particularly commendable as the bulk of the progress only took place in 2018. Most of this progress can be attributed to improvements in building quality control.

### Procedures Required to Obtain a Construction Permit

Figure 3.6 shows that APEC has been able to reduce its average and median number of procedures to obtain a construction permit. In addition, APEC has outpaced the ROW in cutting down the number of procedures, and the gap between APEC and ROW has widened. Within APEC, China posted the best improvement by eliminating 8 procedures. On the contrary, one economy noted an increase in procedures, while sixteen other economies maintained the same number of procedures.

**Figure 3.6: Average and Median Procedures to deal with Construction Permits**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

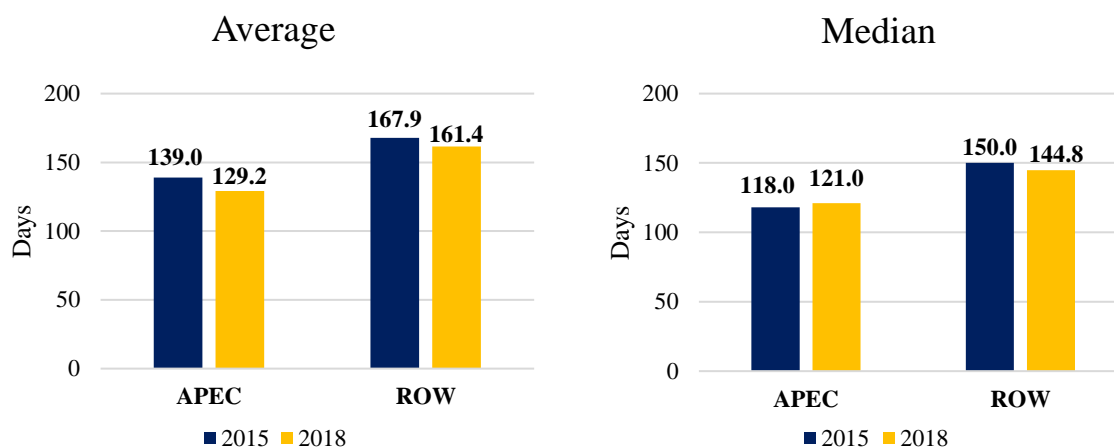
### Time Required to Obtain a Construction Permit

APEC has outperformed the ROW in the time to secure a construction permit. However, while the gap between the averages of APEC and the ROW has widened, the gap in the medians has narrowed. On the one hand, significant progress was made in reducing the average time to

<sup>8</sup> World Bank. (n.d.). Dealing with Construction Permits Methodology. Retrieved December 20, 2018, from <http://www.doingbusiness.org/en/methodology/dealing-with-construction-permits>

obtain a construction permit in the APEC region, which was cut by nearly 10 days (Figure 3.7). This is explained in particular by China, which shortened the time required to obtain a construction permit by 110.8 days. On the other hand, APEC's median time increased by 3 days which is explained by the slight increase of days in one economy.

**Figure 3.7: Average and Median Time in days to deal with Construction Permits**

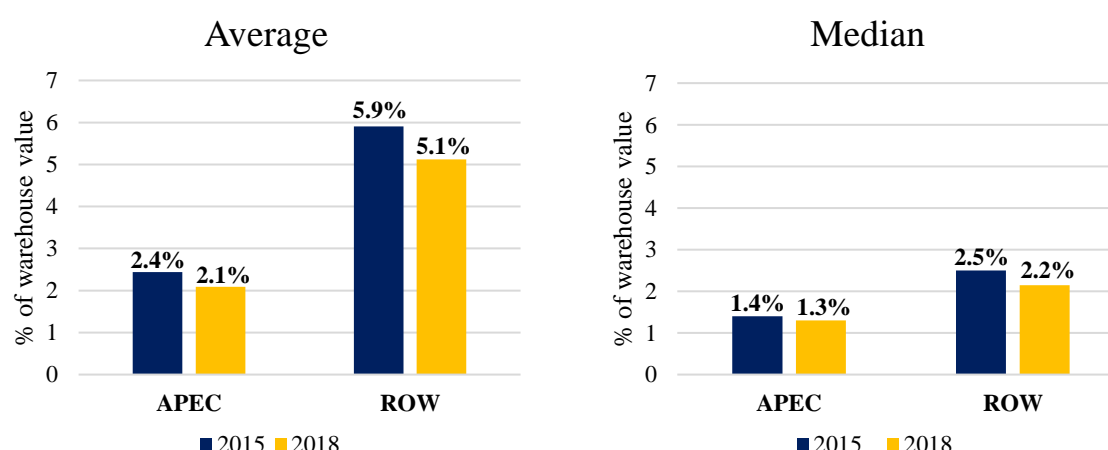


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### **Cost of Dealing with Construction Permits**

Between 2015 and 2018, both APEC's average and median costs to obtain construction permits reported improvements (Figure 3.8). While the magnitude of improvement in APEC seems to be small in comparison to that of the ROW, APEC's progress in reducing the cost to obtain a construction permit has been remarkable, given that it is very difficult to reduce costs when they are already low, as it was the case in 2015. Despite slight increases in costs in three APEC economies, the region reported a fall in average and median costs due to a substantial reduction of costs in China by 5.5 percentage points of warehouse value.

**Figure 3.8: Average and Median Cost (% of warehouse value) of dealing with Construction Permits**



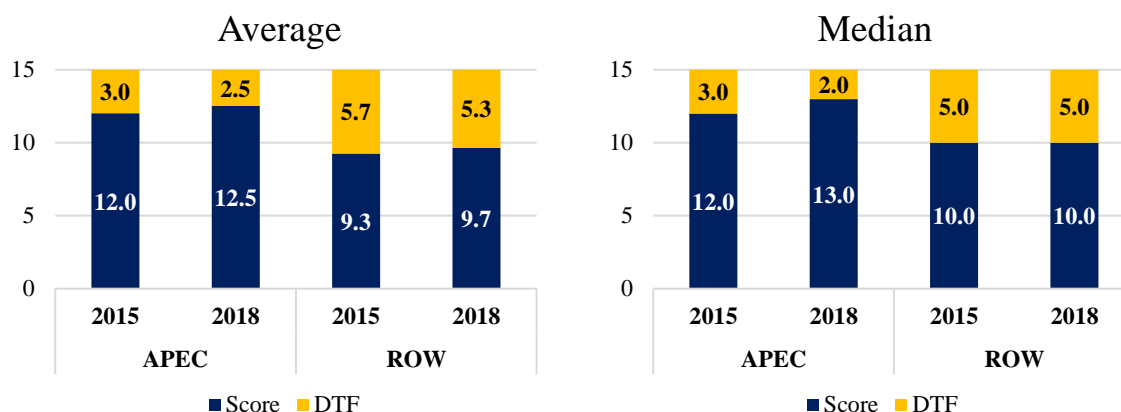
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### **Building Quality Control Index**

Between 2015 and 2018, APEC's Building Quality Control Index scores remained relatively high compared to the ROW. APEC's average and median distance to frontier (DTF) scores

improved by 0.5 and 1 point respectively (Figure 3.9). Six APEC economies posted improvements, while the rest reported no changes. Korea experienced the largest improvement with a reduction in its DTF score by 4 points. APEC significantly surpassed the ROW as their scores were closer to the maximum achievable value of 15 than those of the ROW.

**Figure 3.9: Average and Median Building Quality Control Index (DTF)**



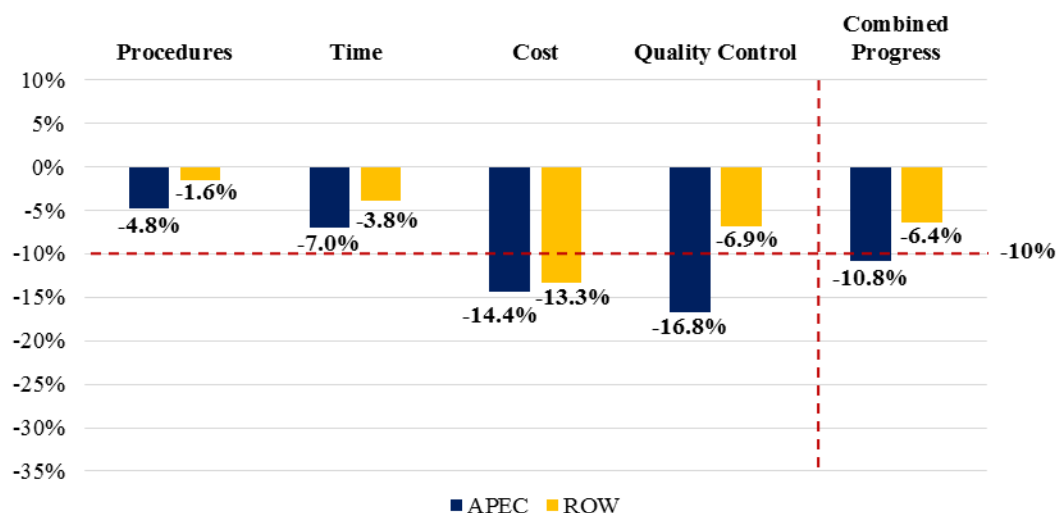
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score.

### **Overall Combined Progress in Dealing with Construction Permits**

APEC's combined average progress of its Dealing with Construction Permits indicators reached 10.8%. (Figure 3.10). While all average indicators in APEC made progress during the period under evaluation, this achievement of the 10% target was mainly explained by improvements in costs and building quality control. Most of this progress was achieved during 2018, the final year of the APEC's EoDB Second Action Plan.

**Figure 3.10: Percentage Change in Average Values for Dealing with Construction Permits Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

Despite missing the 10% improvement targets for two indicators by 2018, namely the average number of procedures and time to obtain a construction permit, the shortfall from the target –

in absolute terms – was minor, equivalent to 0.7 procedures and 4.1 days respectively. This is a significant improvement from 2017 where all indicators were farther from being on track to meet the 10% improvement target.

**Table 3.3: Comparison of APEC's Dealing with Construction Permits Average Indicators with 2018 targets**

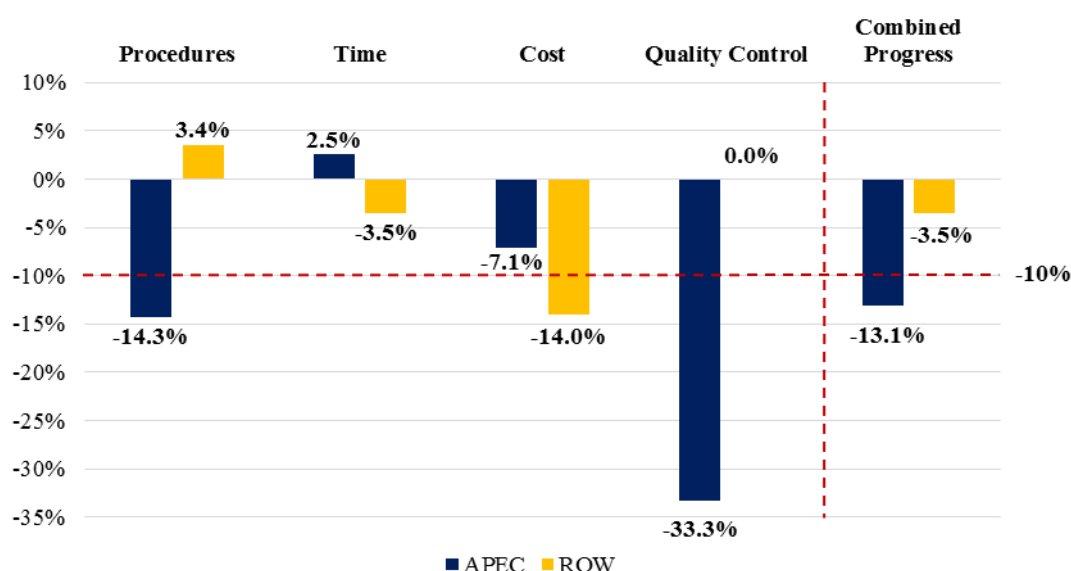
| Average Values                  | Procedures (number) | Time (days) | Cost (% of warehouse value) | Building quality control index (DTF) |
|---------------------------------|---------------------|-------------|-----------------------------|--------------------------------------|
| <b>Current Situation (2018)</b> | 14.1                | 129.2       | 2.1                         | 2.5                                  |
| <b>Overall Target</b>           | 13.4                | 125.1       | 2.2                         | 2.7                                  |
| <b>Achieved Target?</b>         | NO                  | NO          | YES                         | YES                                  |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score. Regarding the Building Quality Control Index, the DTF is used in the calculation of the combined progress within APEC and the rest of the world in the Dealing with Construction Permits priority area.

Among median values, APEC achieved its 10% target for the number of procedures and the index on building quality control (Figure 3.11). Despite the fact that the other two median indicators remained far from the target, APEC's combined median progress (13.1%) managed to surpass the 10% improvement target. Improvements in the median value of the building quality control index were significant enough to offset the increase of the median time to obtain a construction permit.

**Figure 3.11: Percentage Change in Median Values for Dealing with Construction Permits Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

Table 3.4 shows that APEC's median cost to obtain a construction permit was marginally away from meeting the 2018 target. Nevertheless, APEC's median time was far from the target by more than two weeks.

**Table 3.4: Comparison of APEC's Dealing with Construction Permits Median Indicators with 2018 Targets**

| Median Values                   | Procedures (number) | Time (days) | Cost (% of warehouse value) | Building quality control index (DTF) |
|---------------------------------|---------------------|-------------|-----------------------------|--------------------------------------|
| <b>Current Situation (2018)</b> | 12.0                | 121.0       | 1.30                        | 2.0                                  |
| <b>Overall Target</b>           | 12.6                | 106.2       | 1.26                        | 2.7                                  |
| <b>Achieved Target?</b>         | YES                 | NO          | NO                          | YES                                  |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score. Regarding the Building Quality Control Index, the DTF is used in the calculation of the combined progress within APEC and the rest of the world in the Dealing with Construction Permits priority area.

Economies have undertaken several initiatives to reduce the cost and time required to deal with construction permits as well as ensuring that sufficient building quality control regulations are in place. Some examples includes increasing transparency of relevant fee schedules and requirements, introducing a single window to streamline procedures and improving building quality control through decennial liability insurance. Other reforms efforts undertaken by economies such as Russia (as detailed in Box 3.2) have included risk-based inspection to improve building quality control.

### **Box 3.2: Greater Ease in Obtaining Construction Permits**

APEC economies have reformed regulations to reduce both the time and cost of obtaining permits. This has also been accompanied by measures aiming to improve building quality control.

In 2018, China streamlined the construction permit process by implementing unified building review platforms in Beijing and Shanghai. At the same time, China introduced stricter qualification requirements for professionals in the construction sector and improved public access to information.

Malaysia streamlined the issuance of a building permits, which sharply reduced the time required to complete procedures. At present, it takes 54 days to complete the procedures to construct a warehouse, 24 days faster than in the past. Similarly, Russia made changes to facilitate the approval of construction and occupancy permits and enhance quality control measures during construction through risk-based inspections.

In the Philippines, a joint memorandum circular (JMC) issued in January 2018 provides guidelines to streamline the processes for the issuance of building permits and certificates of occupancy. It instructs local governments to allot a maximum of five working days in processing simple applications for construction permits as well as to establish one-stop shops. The Bureau of Fire Protection was also instructed to automate the processing of Fire Safety Insurance Certificate and Fire Safety Evaluation Clearance.

Sources:

- South China Morning Post. (2018). Hong Kong climbs to No 4 on World Bank's list of easiest places to do business. Retrieved from <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/2171135/hong-kong-climbs-no-4-world-banks-list-easiest>
- Shine. (2018). China up in 'ease of doing business'. Retrieved from <https://www.shine.cn/biz/economy/1811014456/>

- The Star Online. (2018). Malaysia moves up World Bank business index. Retrieved from <https://www.thestar.com.my/business/business-news/2018/11/02/malaysia-moves-up-world-bank-business-index/>
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- Department of the Interior and Local Government. (2018). Guidelines in Streamlining the Processes for the Issuance of Building Permits and Certificates of Occupancy - Issuances. Retrieved from <https://www.dilg.gov.ph/issuances/jc/Guidelines-in-Streamlining-the-Processes-for-the-Issuance-of-Building-Permits-and-Certificates-of-Occupancy/87>



### C. GETTING CREDIT

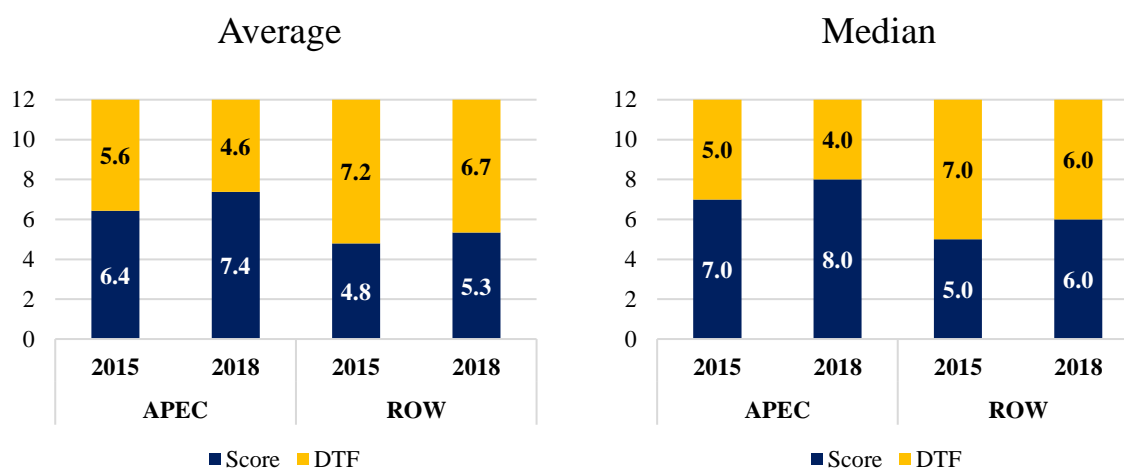
The getting credit priority area appraises the availability of credit information and the strength of legal systems in protecting creditors and debtors within an economy. The distance to frontier (DTF) scores, calculated for each indicator in this priority area, were used to measure combined progress in order to maintain consistency in the direction of the improvements. Therefore, lower DTF scores across time reflect progress<sup>9</sup>.

This is the priority area in which APEC has achieved the most progress. In 2018, the region as a whole transcended the 10% improvement target and posted an average and median combined progress of 20.9% and 67.3% respectively. In particular, advancements in this area were primarily led by the development of better credit information systems and increased availability of credit information for APEC's adult population.

#### Strength of Legal Rights Index

As illustrated in Figure 3.12, APEC reported progress in improving the strength of legal rights of borrowers and lenders. The index measuring this feature improved between 2015 and 2018 at the regional level, due to improvements in six APEC economies. Much of the improvements were led by Brunei Darussalam, which reported a score of 4 in 2015 and attained the maximum possible score of 12 in this indicator in 2018. APEC has performed better in this indicator in comparison to the ROW. In fact, the gap between the average performance of APEC and that of the ROW has grown wider.

**Figure 3.12: Average and Median Strength of Legal Rights Index for Getting Credit**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score.

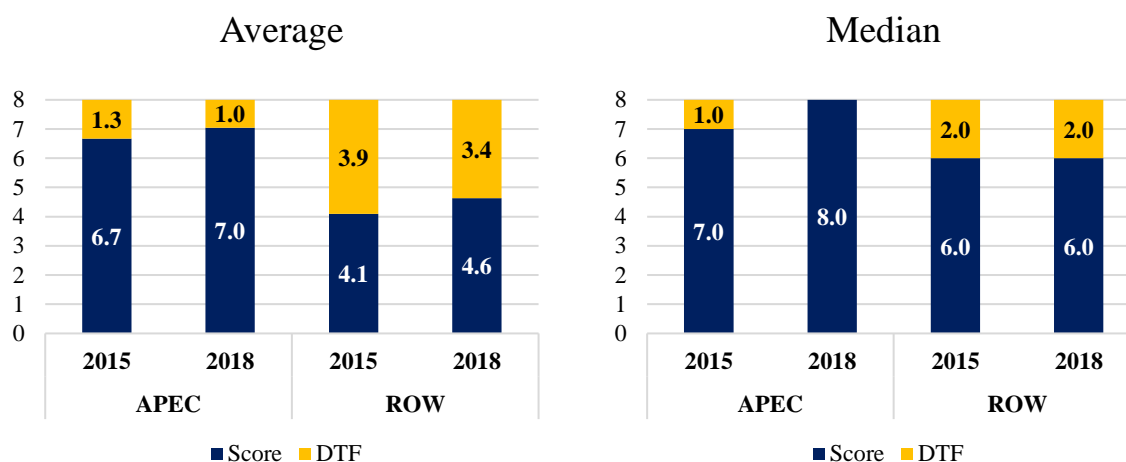
#### Depth of Credit Information Index

In general, it is much easier for lenders and borrowers to get access to a variety of credit information in APEC than in the ROW. This is reflected in the high scores that APEC has achieved collectively in this index (Figure 3.13). Impressively, 11 economies have already attained the highest score possible and several other economies have reported an improvement

<sup>9</sup> World Bank. (n.d.). Methodology for Getting Credit. Retrieved January 2, 2019, from <http://www.doingbusiness.org/en/methodology/getting-credit>

in this indicator. Likewise, it is encouraging that no APEC economy experienced a deterioration of its index's score.

**Figure 3.13: Average and Median Depth of Credit Information Index for Getting Credit**



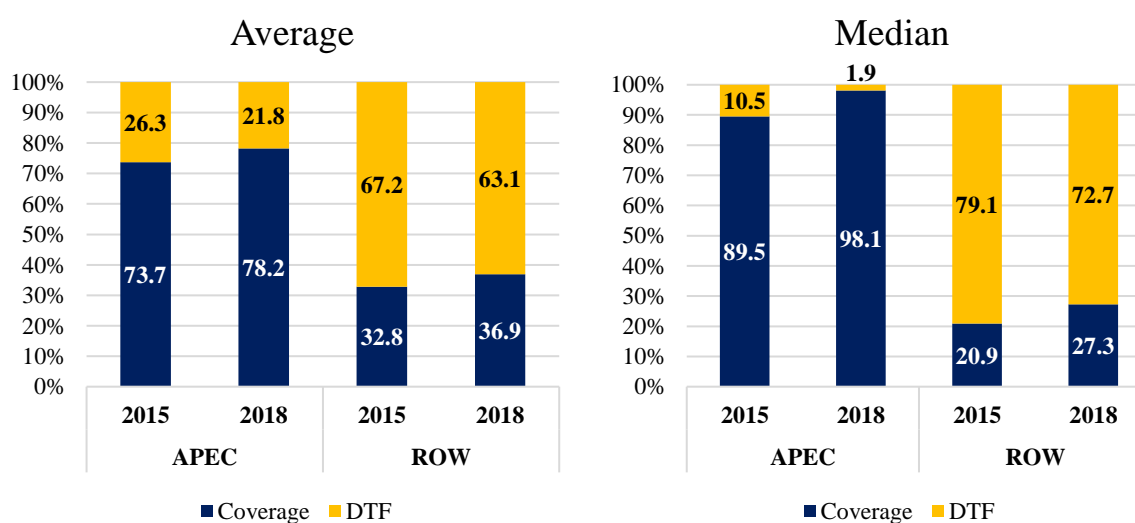
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score.

### **Public Credit Registry and Private Credit Bureau Coverage**

The availability of credit information in the APEC region is very high, with coverage levels more than double than that in the ROW. In 2018, APEC's average and median coverage was equal to 78.2% and 98.1% of the adult population respectively. In fact, ten APEC economies have already attained full coverage. Progress has been significant in the APEC region in recent years, with much progress recorded by Russia, Brunei Darussalam and Viet Nam, which experienced the largest improvement in their coverage by 17.8, 14.0 and 13.3 percentage points of the adult population respectively.

**Figure 3.14: Average and Median Public Credit Registry and Private Credit Bureau Coverage**



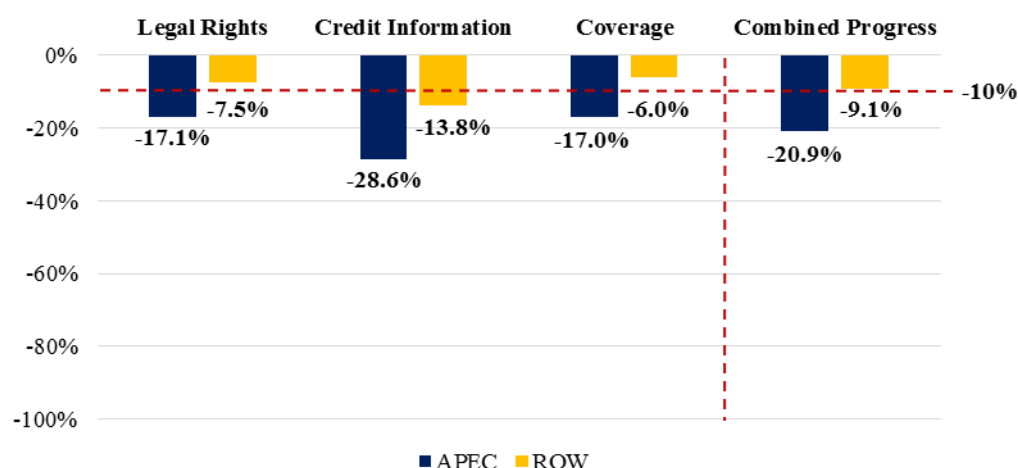
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score.

### Overall Combined Progress in Getting Credit

As with previous years, APEC has been successful in reporting significant progress in all three Getting Credit average indicators and in reaching the 10% improvement target (Figure 3.15).

**Figure 3.15: Percentage Change in Average Values for Getting Credit between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

Table 3.5 shows all three indicators under Getting Credit easily surpassing the 10% improvement targets.

**Table 3.5: Comparison of APEC's Getting Credit Average Indicators with 2018 Targets**

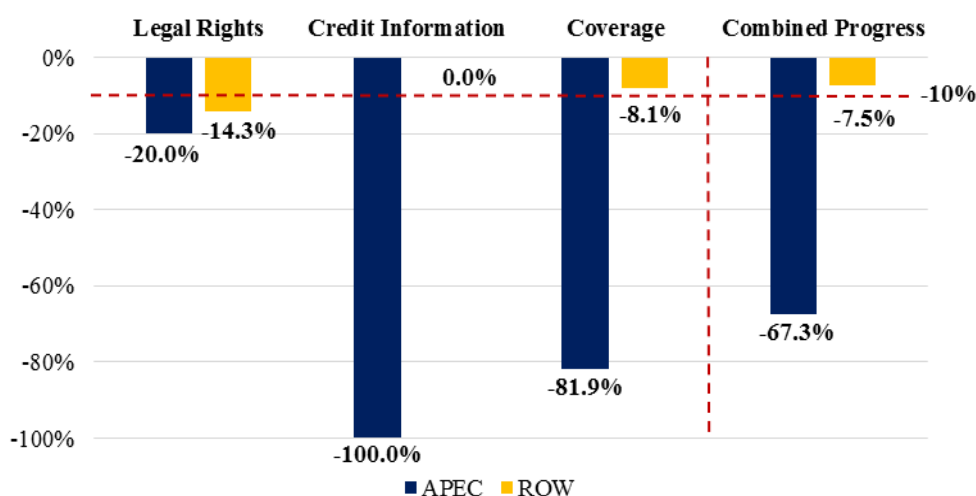
| Average Values                  | Strength of Legal Rights Index (DTF) | Depth of Credit Information Index (DTF) | Adults without Credit Information in Public Registries or Private Bureaus (% of adults) |
|---------------------------------|--------------------------------------|---|---|
| <b>Current Situation (2018)</b> | 4.6                                  | 1.0                                     | 21.8  |
| <b>Overall Target</b>           | 5.0                                  | 1.2                                     | 23.7  |
| <b>Achieved Target?</b>         | YES                                  | YES                                     | YES   |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score. Regarding the Strength of Legal Rights Index and the Depth of Credit Information Index, the DTF is used in the calculation of the combined progress within APEC and the rest of the world in the Getting Credit priority area.

As illustrated in Figure 3.16, progress in median values for all three indicators has far exceeded the 10% target. More than half of the APEC economies have already reported the implementation of the most solid features in their credit information systems, which is reflected by the 100% improvement of the median value of APEC's Depth of Credit Information Index.

**Figure 3.16: Percentage Change in Median Values for Getting Credit between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

Based on median values, APEC achieved with relative ease its targets under all indicators within Getting Credit (Table 3.6).

**Table 3.6: Comparison of APEC's Getting Credit Median Indicators with 2018 Targets**

| Median Values                   | Strength of Legal Rights Index (DTF) | Depth of Credit Information Index (DTF) | Adults without Credit Information in Public Registries or Private Bureaus (% of adults) |
|---------------------------------|--------------------------------------|---|---|
| <b>Current Situation (2018)</b> | 4.0                                  | 0.0                                     | 1.9   |
| <b>Overall Target</b>           | 4.5                                  | 0.9                                     | 9.5   |
| <b>Achieved Target?</b>         | YES                                  | YES                                     | YES   |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier which denotes how far the indicator is from the maximum possible score. Regarding the Strength of Legal Rights Index and the Depth of Credit Information Index, the DTF is used in the calculation of the combined progress within APEC and the rest of the world in the Getting Credit priority area.

Within this priority area, economies have undertaken initiatives in various fronts which include increasing access to credit, as well as improving the distribution and quality of credit information. For instance, economies have lowered the loan threshold required to register with a credit registry/bureau database while others have improved the quality of the information by adopting laws guaranteeing the borrowers' right to inspect their personal data. Unified collateral registries have also been created across economies to reduce the risk on creditors. APEC economies have increasingly implemented reforms to better protect consumers (see examples highlighted in Box 3.4).

### Box 3.3: Sharing Credit Information in the APEC region

#### Importance of Credit Information Systems

Credit information systems are an important aspect of the credit market. They help reduce information asymmetry between the lender and the borrower in four main ways:

1. **Countering adverse selection:** Ensuring that information on borrowers are available to lenders. Credit worthy individuals previously excluded from the market will be allowed to participate more actively in the market.
2. **Countering moral hazard:** By sharing credit information among lenders, borrowers are provided with more incentives to avoid defaulting on their loans as their ability to access credit in the future is placed at stake.
3. **Countering information monopoly:** Unequal information based on previous relationships allows one lender to make more informed decision as compared to another. As such, ensuring lenders have similar information on a particular borrower allows for better competition among lenders and could improve decision making for lenders across the system.
4. **Reducing over-indebtedness:** Sharing information allows lenders to be aware of the overall indebtedness of a particular borrower. This information prevents creditors from extending loans to overly indebted individuals.

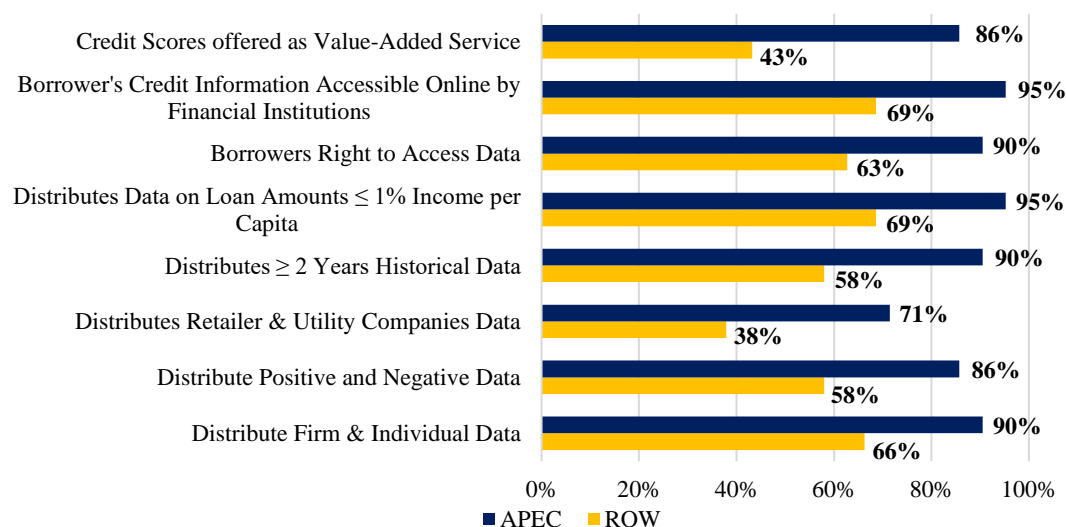
APEC economies are building more comprehensive credit information systems, gradually increasing the coverage of the credit information. Every year, personal credit information for a larger share of adults becomes available.

#### Credit Information Features in APEC

As illustrated in Figure 3.17, the use of credit information features has been more prevalent within the APEC region as in the ROW. This occurs even for features that are not necessarily very common in APEC. For instance, the distribution of retailer and utility company data in credit bureaus and registries is available in 71.4% of APEC economies and only 37.9% of economies in the ROW.

Among the most common features, online access of borrower credit information to financial institutions and access to data on loan amounts equivalent to less than 1% of an economy's income per capita is available in 95% of APEC economies (20 out of 21 economies).

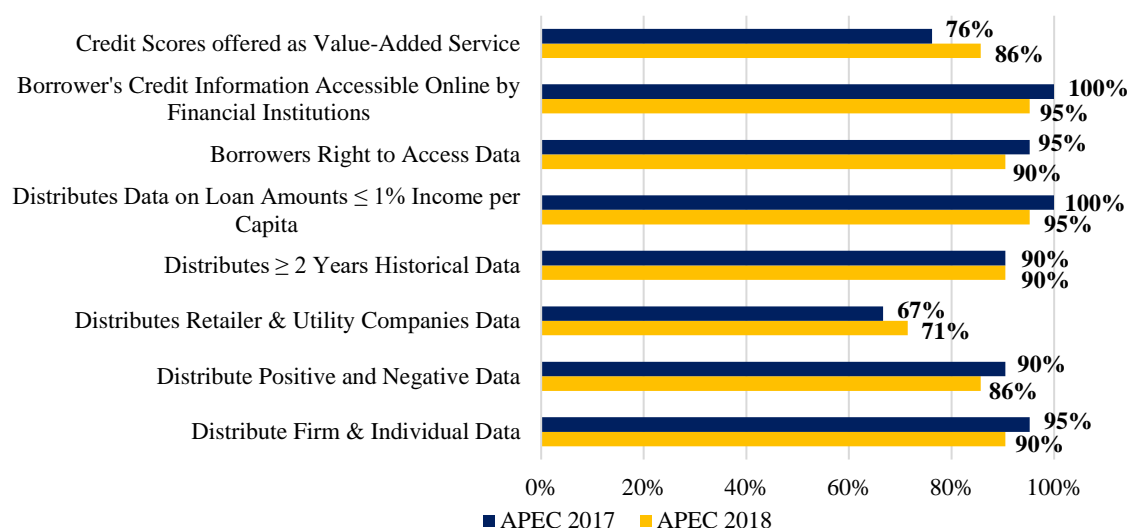
**Figure 3.17: Share of Credit Information Features Available in APEC and the Rest of the World (ROW)**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Compared to 2017, there have been some changes regarding the share of APEC economies using certain credit information features (Figure 3.18). For instance, one economy had discontinued the use of five credit features resulting in a slight decrease in regional coverage. On the other hand, APEC has made improvements with more economies offering credit scores as a value added service and distributing retailer and utility company data.

**Figure 3.18: Share of Credit Information Features Available in APEC in 2017 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Sources:

- OECD. (n.d.). Discussion Paper on Credit Information Sharing. Retrieved from <http://www.oecd.org/global-relations/45370071.pdf>

### Box 3.4: Improved Systems to Facilitate Obtaining Credit in APEC

In order to improve credit information systems, governments and/or private sector players in APEC economies have been incorporating practices to safeguard the rights of consumers. Among such practices include protecting consumers against unforeseen circumstances and safeguarding their personal information.

For instance, the agreement signed by Australia's four major banks ensures consumers who have faced hardship (e.g. job loss, sickness, natural disasters) will not be disadvantaged by the new mandatory Comprehensive Credit Regime. The banks will exclude the credit history information of customers with whom they have reached hardship arrangements with from their mandatory reports during the first twelve months of this regime.

The United States have enhanced protection of borrowers by issuing guidance to safeguard credit scores and addresses of borrowers. The measure seeks to disclose ranges instead of specific values on information related to individual creditors such as applicant's age, the amount of loan, and the number of units in the dwelling.

Sources:

- Australian Banking Corporation. (2018). Hardship customers protected in new credit regime. Retrieved from <https://www.ausbanking.org.au/media/media-releases/media-release-2018/hardship-customers-protected-in-new-credit-regime>
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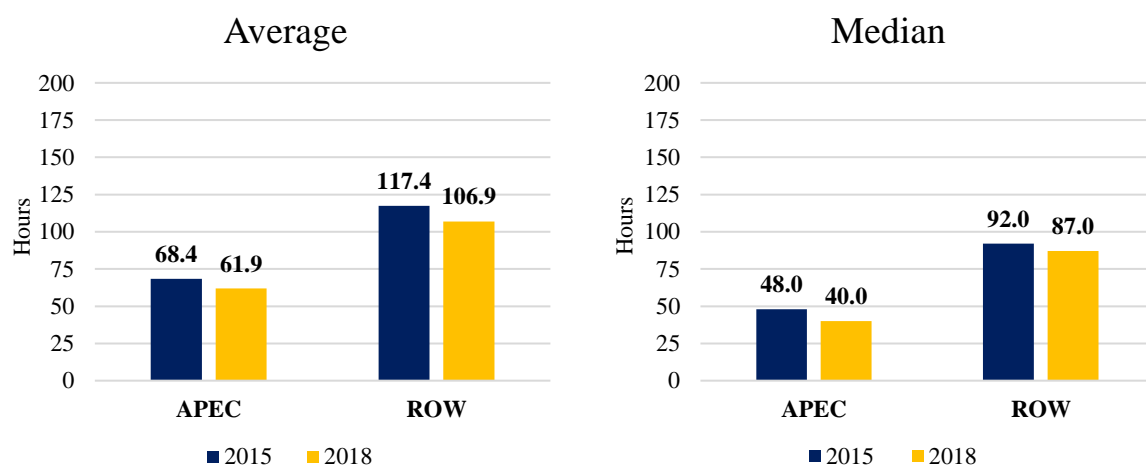
## D. TRADING ACROSS BORDERS

Undeterred by recent trade tensions, international trade in the APEC region still became cheaper and faster, strengthening the region's competitiveness in trading across borders. Data from the World Bank's Doing Business show that the region as a whole experienced a substantial reduction in both the time and cost involved in completing documentary and border procedures<sup>10</sup>. However, despite APEC's commendable progress in this priority area, the region has not reached its overall target of 10% during the period 2015-2018.

### Time to Export

Figure 3.19 compares the average and median time to export in 2015 and 2018 for APEC and the rest of the world (ROW). The average time to export from APEC economies dropped significantly from 68.4 to 61.9 hours. Meanwhile, the median time to export fell from 48 to just 40 hours. The improvement in this indicator is ascribed to nine economies that successfully reduced the time needed to export, particularly Chinese Taipei which more than halved its time to export from 48 to 22 hours. While exporting from the APEC region remains roughly twice as fast as the ROW, there remains the need to address the disparate time to export among APEC economies, which ranged from a mere 2 to a staggering 272 hours.

**Figure 3.19: Average and Median Time to Export**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

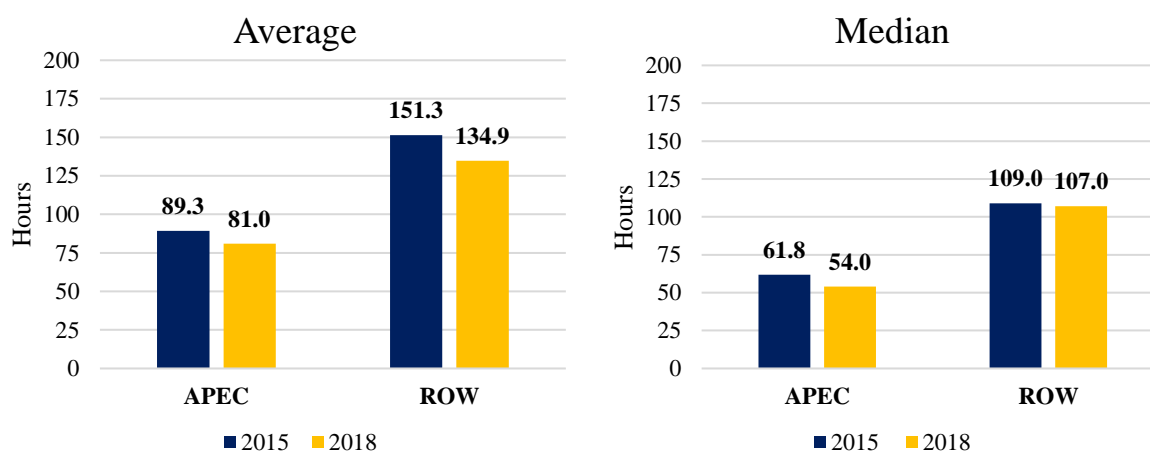
### Time to Import

Albeit longer than APEC's time to export, APEC's time to import is still shorter than that of the ROW. As in Figure 3.20, the average time to import from APEC economies was slashed from 89.3 to 81 hours between 2015 and 2018, whereas the median time to import was cut from 61.8 to 54.0 hours. Seven economies, most notably China and Malaysia which each roughly halved the time needed to import, explain most of the improvement in this indicator. Nonetheless, a substantial rise in the time to import from one economy offset the overall progress of the APEC region, falling short of the 10% improvement target. Furthermore, APEC needs to address the wide disparity in the time to import among its economies, with three

<sup>10</sup> The World Bank's Doing Business reports the cost and time to export and import as the amount of USD and number of hours, respectively, needed to finalize the documentations and border formalities. For simplicity, this report assumes that documentary and border compliance cannot be performed simultaneously.

economies taking less than 10 hours, and two economies exceeding 200 hours to import in 2018.

**Figure 3.20: Average and Median Time to Import**

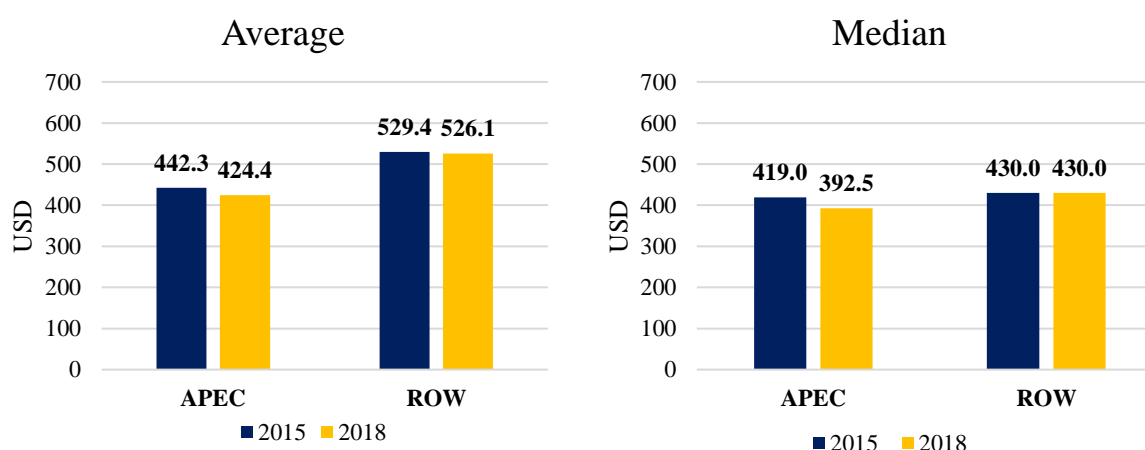


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### **Cost to Export**

Figure 3.21 shows that the average cost to export from APEC economies dropped from USD 442.3 to 424.4 per container between 2015 and 2018, with China reducing its export costs by over 47% from USD 568.7 to 387.6. Correspondingly, median export costs also declined from USD 419.0 to 392.5 per container. While four APEC economies reported lower costs, one economy experienced an increase in the cost to export. The average and median costs to export are cheaper in APEC than in the ROW and the cost gap between APEC and the ROW has widened as well.

**Figure 3.21: Average and Median Cost to Export**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

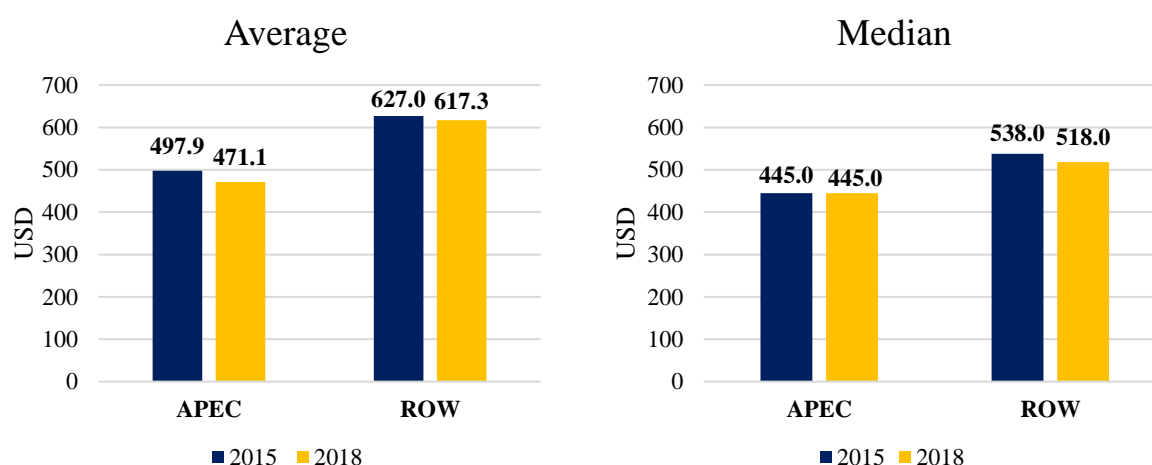
### **Cost to Import**

Figure 3.22 details the average and median cost to import in APEC, and shows that while APEC has curtailed average import costs from USD 497.9 to 471.1 per container between 2015 and 2018, median import costs has remained constant since 2015. While importing in APEC is



cheaper than in ROW, the reduction in APEC's average cost was explained by only three economies, with China leading the efforts by slashing over half of its import costs.

**Figure 3.22: Average and Median Cost to Import**

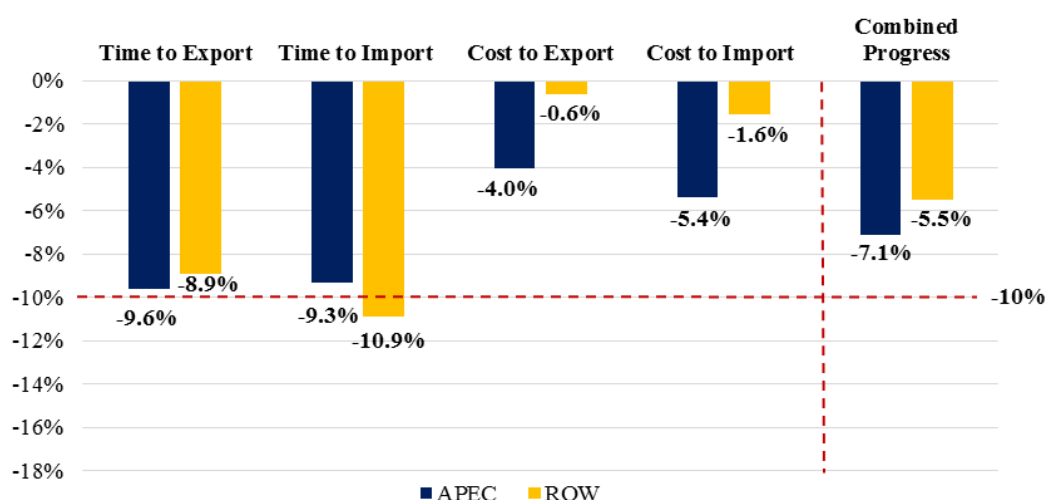


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

**Overall Combined Progress in Trading Across Borders**

APEC did not reach its 10% target for the Trading Across Borders average indicators (Figure 3.23). However, the progress made by APEC in 2018 alone is highly laudable. Until 2017, APEC had only improved by 3.2% in this priority area<sup>11</sup>, but in 2018 alone, APEC was able to push its improvement rate to 7.1%, higher than the collective improvement rates experienced by the ROW. Figure 3.23 shows that most of the collective improvement in the APEC region was explained by time savings rather than cost reductions.

**Figure 3.23: Percentage Change in Average Values for Trading Across Borders Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

<sup>11</sup> Kuriyama, Carlos, Denise Cheok and Divya Sangaraju (2018), “APEC’s Ease of Doing Business – Interim Assessment 2015-2017”, APEC Policy Support Unit, APEC#218-SE-01.11

While APEC did not meet its targets for any of the Trading Across Borders average indicators, APEC came close to achieving its target to shorten average export and import time (Table 3.7). The region fell short of the target export time reduction by just a quarter-hour, and of import time reduction by approximately a half-hour. On the other hand, APEC economies would need to increase their drive to reduce the costs of export and import, as they were USD 26.3 and 23.0 short of their export and import cost targets respectively. This shortcoming could also be explained by the fewer number of economies that effectively implemented cost-mitigating measures.

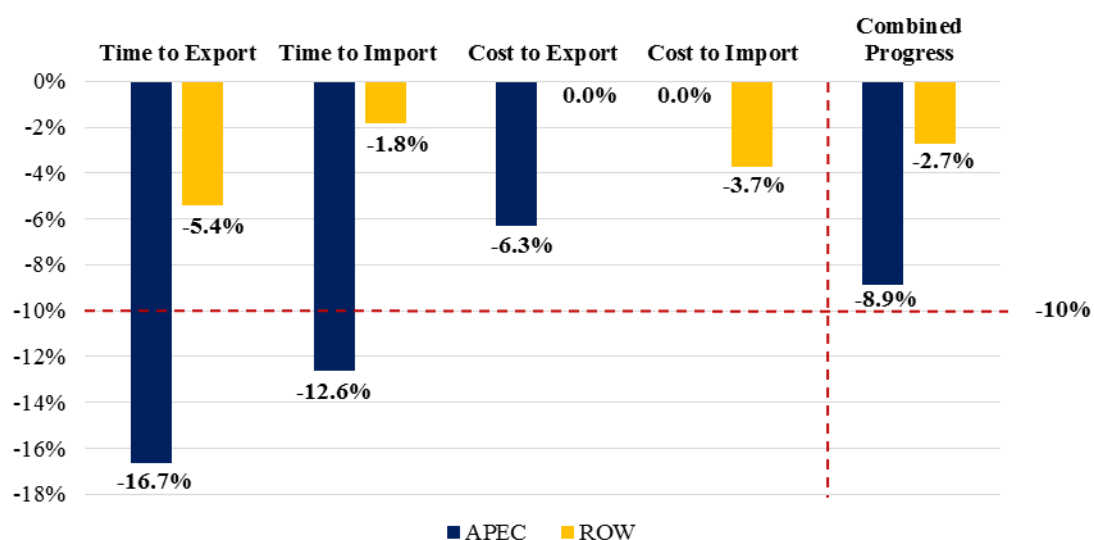
**Table 3.7: Comparison of APEC's Trading Across Borders Average Indicators with 2018 Targets**

| Average Values                  | Time to Export (hours) | Time to Import (hours) | Cost to Export (USD) | Cost to Import (USD) |
|---------------------------------|------------------------|------------------------|----------------------|----------------------|
| <b>Current Situation (2018)</b> | 61.9                   | 81.0                   | 424.4                | 471.1                |
| <b>Overall Target</b>           | 61.6                   | 80.4                   | 398.1                | 448.1                |
| <b>Achieved Target?</b>         | NO                     | NO                     | NO                   | NO                   |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Compared to the region's progress on Trading Across Borders average indicators, APEC reached its targets for two Trading Across Borders median indicators (i.e. time to export and import) (Figure 3.24). However, APEC's median combined progress fell short of the 10% improvement target (8.9%), explained by the insufficient progress in reducing the median cost to export and the lack of any progress in the median cost to import.

**Figure 3.24: Percentage Change in Median Values for Trading Across Borders Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

Hence, as Table 3.8 shows, APEC needs to strengthen their collective efforts to reduce the median cost to export and import as it fell short from its 10% improvement target by USD 15.4 (for exports) and USD 44.5 (for imports). As such, cost reduction for cross-border trade is an area that APEC economies would want to prioritize in the future.

**Table 3.8: Comparison of APEC's Trading Across Borders Median Indicators with 2018 Targets**

| Median Values                   | Time to Export (hours) | Time to Import (hours) | Cost to Export (USD) | Cost to Import (USD) |
|---------------------------------|------------------------|------------------------|----------------------|----------------------|
| <b>Current Situation (2018)</b> | 40.0                   | 54.0                   | 392.5                | 445.0                |
| <b>Overall Target</b>           | 43.2                   | 55.6                   | 377.1                | 400.5                |
| <b>Achieved Target?</b>         | YES                    | YES                    | NO                   | NO                   |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

APEC member economies can adopt reforms implemented in other economies to suit their respective situations. For example, economies lagging in infrastructure can invest in upgrading port and customs infrastructure. Such projects can help expedite shipping time and lower cost by reducing travel and handling time. Moreover, economies can look into developing electronic document processing systems to streamline export and import documentary compliance. Such e-systems can eventually serve as the basis for the development of a single-window system, described in detail at the box below.

**Box 3.5: Single-Window Systems for Cross-Border Trade in APEC Economies**

A single-window system is a concept in international trade wherein traders can complete all documentary and regulatory formalities at a single location or platform. While the implementation of a single-window system requires coordination among an economy's various institutions, the successful usage of such systems entail significant cost reductions and time savings for economies and traders alike.

Many APEC economies have successfully adopted single-window systems to facilitate cross-border trade. Some of them have introduced this system several years ago. For instance, working since 1992, Korea's customs department has progressively harnessed technological advancements such as electronic processing and online database management, successfully achieving a fully operational single window system in 2009.

Other APEC economies have introduced a single-window system in more recent years. In 2018, just a year after launching, the Viet Nam Automated System for Seaport Customs and Management (VASSCM) connected 280 businesses to the system, minimizing paperwork and reducing cost and time needed to import. This has contributed to Viet Nam's sizeable improvement in time and cost to trade. Similarly, the Philippines officially launched its online single window system in December 2018, aiming to reduce red tape and improve ease of doing business, though its effectiveness is yet to be assessed.

Beyond the horizon, some APEC economies have leveraged on the success of single window systems, spearheading an ambitious plan to establish a regional single window system as part of other sub-regional organizations, as in the case of the ASEAN Single Window, and/or implement an interoperability system across single windows of different economies, like the efforts being implemented by the Pacific Alliance economies, where Chile, Peru, México and Colombia exchange significant documents to facilitate trade between them.

Sources:

- Korea Customs Service. (2010, July). Republic of Korea: Single Window Case. Retrieved from [https://www.unece.org/fileadmin/DAM/cefact/single\\_window/sw\\_cases/Download/Korea\\_Customs.pdf](https://www.unece.org/fileadmin/DAM/cefact/single_window/sw_cases/Download/Korea_Customs.pdf)

- Việt Nam News. (2018, December 17). Automated customs system connects around 280 firms. Retrieved January 21, 2019, from <http://vietnamnews.vn/economy/482201/automated-customs-system-connects-around-280-firms.html>
- Philippine News Agency. (2019, January 9). DOF sustains programs to cut red tape, improve EODB in 2018. Retrieved January 21, 2019, from <http://www.pna.gov.ph/articles/1058372>
- ASEAN. (n.d.). What is the ASEAN Single Window? Retrieved January 21, 2019, from <http://asw.asean.org/>
- APEC Secretariat - Policy Support Unit. (2018, August). Study on Single Window Systems' International Interoperability: Key Issues for Its Implementation. Retrieved January 21, 2019, from <https://www.apec.org/Publications/2018/08/Study-on-Single-Window-Systems-International-Interoperability>

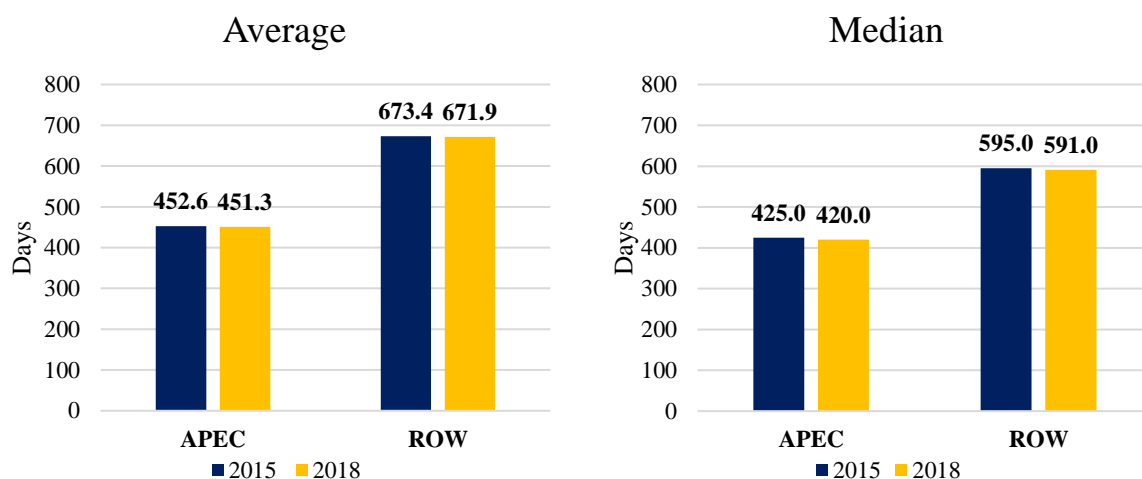
## E. ENFORCING CONTRACTS

The Enforcing Contracts indicators measure the time and cost associated with resolving a commercial dispute and the quality of judicial processes in an economy. Unlike the developments in other priority areas, progress here has been scant, both within APEC and the ROW, as the reforms needed for implementation could require coordination among multiple government agencies and/or approval at different government levels.

### Time to Enforce a Contract

As seen in Figure 3.25, enforcing a contract still takes a long time for APEC economies and the ROW in 2018. In APEC economies, it took an average of 451.3 days to implement a contract, whereas it took the ROW 671.9 days. Meanwhile, the median for APEC economies is 420.0 days, which is significantly less than the 591.0 days needed for the ROW. Three APEC economies (Indonesia, Mexico, and Thailand) have reduced their times by between 20 and 67.8 days, but two other economies have raised enforcement periods by 30 and 80 days each.

**Figure 3.25: Average and Median Time for Enforcing Contracts**

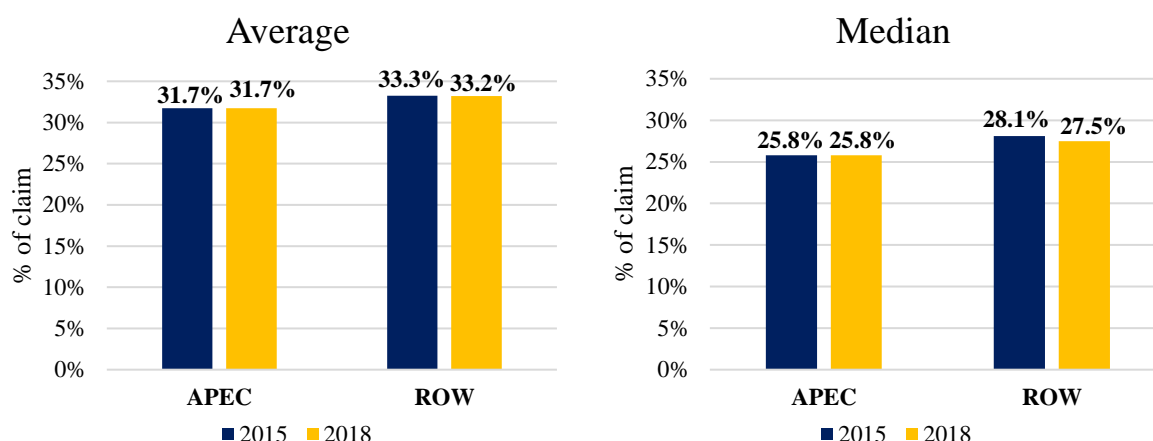


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### Cost to Enforce a Contract

Similarly, there was no marked improvement in the average and median cost on enforcing contracts for both APEC and the ROW since 2015 (Figure 3.26). The cost of enforcing a contract in APEC as a percent of claim is still lower than the ROW. But whilst the ROW as a whole has marginally reduced the cost of enforcing contracts, APEC made no progress in improving this indicator. In fact, no APEC economy has succeeded in reducing the cost of enforcing contracts, and in one economy, it is even impractical to pursue a claim, as the cost of enforcing a contract is higher than the total value of the claim.

**Figure 3.26: Average and Median Cost of Enforcing Contracts**



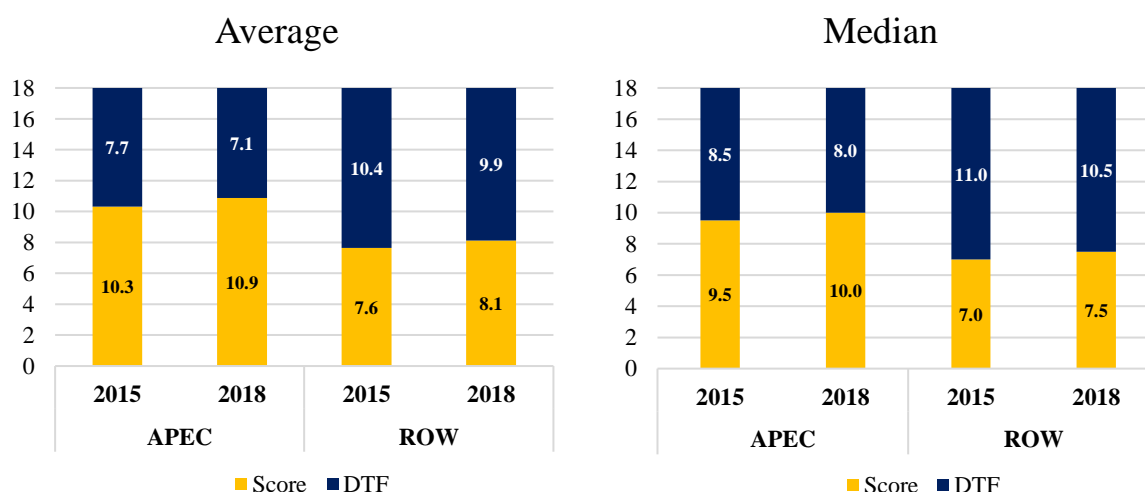
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### **Quality of Judicial Processes Index**

The last indicator, the quality of judicial processes index, measures the efficiency of the commercial dispute resolution systems. The index is an aggregate value ranging from 0 to 18 of benchmark scores assessing court structure and proceedings, case management, court automation, and alternative dispute resolution indices. The higher the score, the better and more efficient the economy's judicial processes are.

Both the average and median indices of APEC economies for 2018 are higher than those of the ROW, which demonstrates that APEC economies are collectively perceived to have a better quality of judicial processes than economies in the ROW (Figure 3.27). Moreover, both APEC average and median indices have improved – nine economies have successfully raised the quality of judicial processes indices, with Brunei Darussalam improving greatly by 4 points. However, one economy experienced a decline in its index, slumping by 1.5 points.

**Figure 3.27: Average and Median Values of the Quality of Judicial Processes Index for Enforcing Contracts**

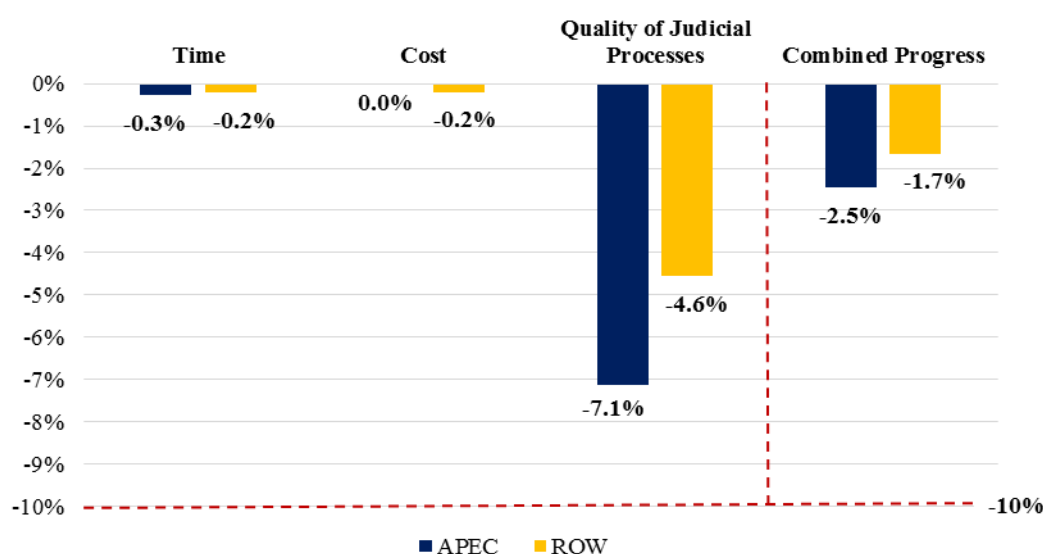


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

### Overall Combined Progress in Enforcing Contracts

APEC is far from accomplishing its 10% improvement target for the Enforcing Contracts priority area (Figure 3.28). While the average quality of judicial processes has improved substantially, the average time to enforce contracts has barely declined and the average cost of enforcing contracts has not changed since 2015. Nonetheless, APEC has done better than the ROW, especially in reducing the time to enforce contracts and in improving its judicial processes.

**Figure 3.28: Percentage Change in Average Values for Enforcing Contracts Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

APEC needs to strengthen efforts to improve its performance in this priority area. As shown in Table 3.9, the average time to enforce contracts fell short by 44 days to achieve the 10% improvement target. Similarly, its average cost of enforcing contracts was 3.2 percentage points behind the target. On the other hand, substantial efforts to improve the quality of judicial process has been recorded, with APEC needing only 0.2 points more in the average quality of judicial processes to meet the target.

**Table 3.9: Comparison of APEC's Enforcing Contracts Average Indicators with 2018 Targets**

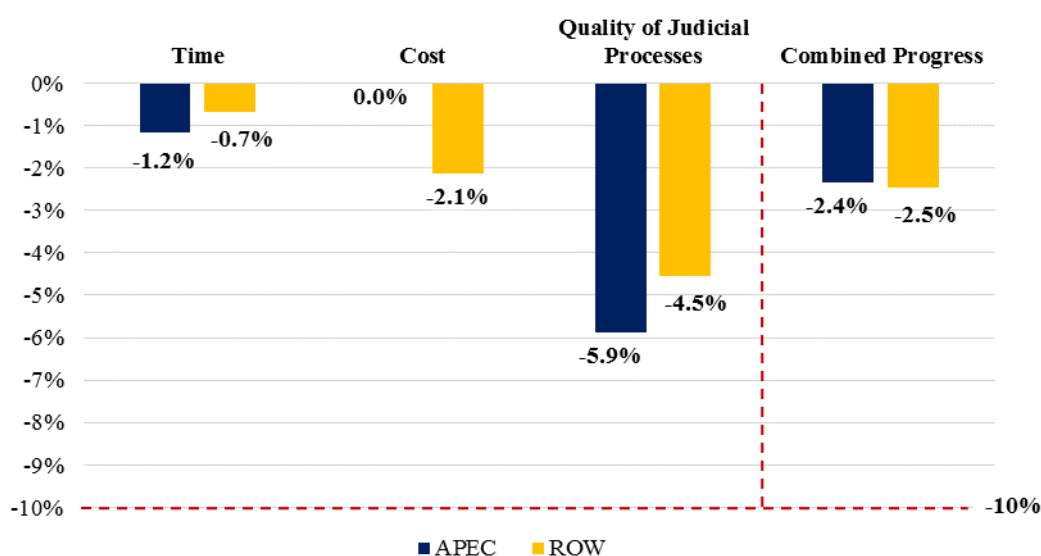
| Average Values                  | Time (days) | Cost (% of claim) | Quality of judicial processes index (DTF) |
|---------------------------------|-------------|-------------------|---|
| <b>Current Situation (2018)</b> | 451.3       | 31.7              | 7.1                                       |
| <b>Overall Target</b>           | 407.3       | 28.5              | 6.9                                       |
| <b>Achieved Target?</b>         | NO          | NO                | NO  |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier, which denotes how far the indicator is from the maximum possible score. Regarding this indicator, the DTF is used in the calculation of the combined progress within APEC and the rest of the world in the Enforcing Contracts Priority area.

Similarly, none of APEC's median Enforcing Contracts indicators achieved the 10% improvement target (Figure 3.29). While APEC recorded positive changes in its median time and quality of judicial processes, the ROW experienced a stronger combined median improvement than APEC.

**Figure 3.29: Percentage Change in Median Values for Enforcing Contracts Indicators between 2015 and 2018**



Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: Improvements are shown with negative values.

Table 3.10 confirms that APEC still has a lot of work to do to improve its median indicators within this priority area. APEC's median time to enforce contracts is 37.5 days away from reaching the 10% improvement target. A similar shortcoming occurs with the median cost to enforce contracts, which is 2.6 percentage points away from the target. Likewise, the median score of the quality of judicial processes index falls 0.3 points short of the target.

**Table 3.10: Comparison of APEC's Enforcing Contracts Median Indicators with 2018 Targets**

| Median Values                   | Time (days) | Cost (% of claim) | Quality of judicial processes index (DTF) |
|---------------------------------|-------------|-------------------|---|
| <b>Current Situation (2018)</b> | 420.0       | 25.8              | 8.0                                       |
| <b>Overall Target</b>           | 382.5       | 23.2              | 7.7                                       |
| <b>Achieved Target?</b>         | NO          | NO                | NO  |

Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Note: DTF refers to Distance to Frontier, which denotes how far the indicator is from the maximum possible score. Regarding this indicator, the DTF is used in the calculation of the combined progress within APEC and the rest of the world in the Enforcing Contracts Priority area.

Economies aiming to improve the time needed to enforce contracts can introduce e-systems that allow lawyers to manage cases electronically. Another potential reform is to introduce fast-track simplified procedures for entities seeking smaller claims. To reduce the cost of claim, economies can look into crafting alternative dispute resolutions, described in Box 3.7. While



mediation as a form of alternative dispute resolution is already present in APEC, economies might want to look into providing financial incentives for mediation. For example, economies can provide tax exemptions for mediators to encourage them to help settle disputes between companies, thus providing companies with more options outside of courts. Finally, with regards to the quality of judicial processes index, some areas in this indicator that APEC needs to work on are the availability of specialized commercial court, the setting of time standards, and application of electronic systems to aid in court automation.

### **Box 3.6: Harnessing Technology to Facilitate Enforcing Contracts**

APEC economies have introduced progressive changes to arbitration and legal procedures, which help improve contract enforcement in the region. Central to such reforms are the incorporation of technology in arbitration procedures, such as the establishment of a unified e-court platform.

For instance, Singapore has leveraged on e-filing systems to streamline requests for court litigation procedures, and has required all small claims to be filed online since 2017. This helps increase the efficiency of its courts, reducing waiting time for filing small claims to just 15 minutes, and reallocating the resources of courts to other areas.

Chinese Taipei offers an e-filing system for intellectual property-related and tax-related administrative suits since 2015. Building on the success of the platform, it has recently expanded its e-filing system for litigation in 2017 to actions at the first, second and third instances, allowing litigants to make and exchange submissions for further deliberations.

Sources:

- Today. (2017, July 10). All small claims will now have to be filed online: State Courts. Retrieved January 21, 2019, from <https://www.todayonline.com/singapore/all-small-claims-will-now-have-to-be-filed-online-state-courts>
- TIPLO Attorneys-at-Law. (2017, June). TIPLO News - June 2017 (E211). Retrieved January 21, 2019, from <https://www.tiplo.com.tw/TIPLONews/E211-June2017.pdf>

### **Box 3.7: Alternative Dispute Resolutions in APEC**

Alternative dispute resolutions (ADRs) are mechanisms that enable businesses and individuals to settle disputes outside of courts. Some prominent examples of ADRs include economy-wide investment agencies or business associations that could resolve problems at the pre-court level. In that way, businesses and individuals enjoy cost and time savings as it reduces the need to pay for and wait for court proceedings. Moreover, it helps economies divert its judicial resources to more hotly contested disputes that require court intervention.

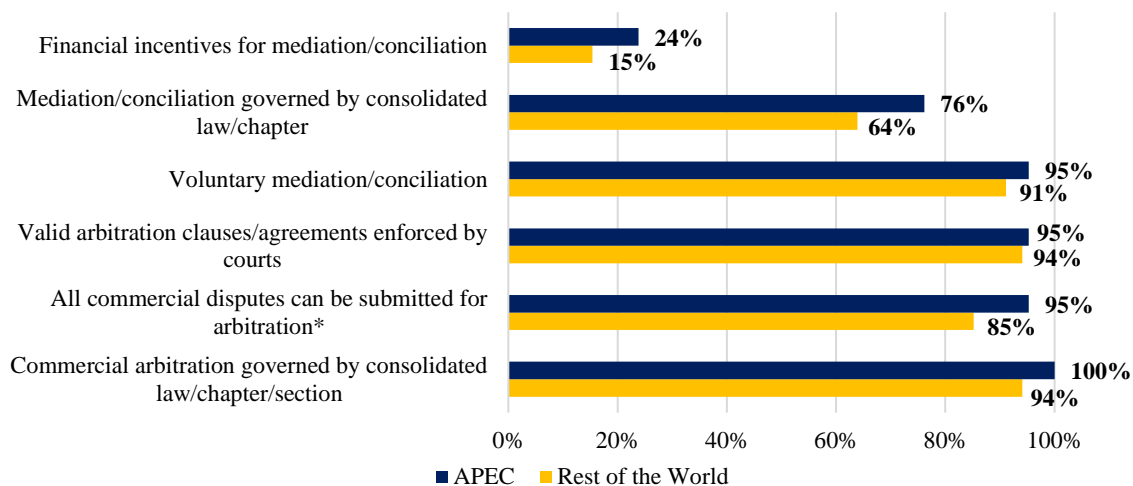
Nonetheless, economies face some challenges in leveraging on ADR for dispute resolutions. It is important to have guidelines for arbitration, mediation, and conciliation. Moreover, an effective court that can enforce valid resolutions is crucial in order for ADR to be a credible and effective tool to resolve disputes.

Figure 3.30 shows the proportion of economies within the APEC region and the ROW that have ADR mechanisms. In general, APEC economies fare better than the ROW in the availability of ADR features. Commercial arbitration is governed by a consolidated law, chapter, or section in all APEC economies; and any commercial disputes can be submitted for arbitration in all but one economy (95%). Similarly, courts have the power to enforce valid arbitration agreements in 20 out of 21 APEC economies.

On the other hand, voluntary mediation and conciliation is available 95% of APEC economies, compared to only 91% in the rest of the world. But, only 76% (16 out of 21) APEC economies and 60% in the rest of the world have mediation and conciliation procedures that are governed by a consolidated law, chapter, or section. While financial incentives can stimulate parties to consider

mediation or conciliation, only 24% (5 out of 21) APEC economies offer such an option, which is still higher than in the ROW (15%).

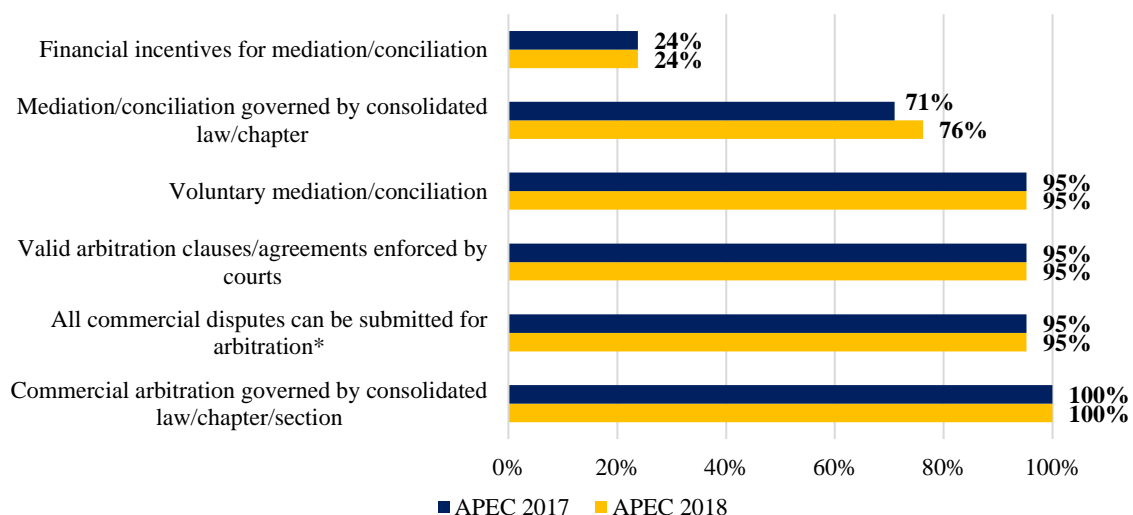
**Figure 3.30: Share of ADR Features available in APEC and the Rest of the World (Year 2018)**



\*Aside from those dealing with public order or public policy  
 Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit Calculations

Since 2017, APEC economies have maintained the enforcement of ADR mechanisms and have continuously rolled out improvements to increase the efficiency of ADR mechanisms. One notable improvement is the case of Singapore, which introduced the Mediation Act in 2017. Effective on 1 November 2017, the Act provided a consolidated guide for mediation and conciliation among disputing parties in Singapore, which paved the way to increase the usage, transparency and legality of mediation as a means of resolving disputes.

**Figure 3.31: Share of ADR Features available in APEC in 2017 and 2018**



\*Aside from those dealing with public order or public policy  
 Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit Calculations

Sources:

- The World Bank Group. (2011). Alternative Dispute Resolution Guidelines (1st ed.). Washington D.C.: The World Bank Group. Retrieved from [http://siteresources.worldbank.org/INTECA/Resources/15322\\_ADRG\\_Web.pdf](http://siteresources.worldbank.org/INTECA/Resources/15322_ADRG_Web.pdf)
- Singapore Statutes Online. (2017, January 10). Mediation Act 2017 - Singapore Statutes Online. Retrieved January 21, 2019, from <https://sso.agc.gov.sg/Act/MA2017>

#### 4. ESTABLISHING AN EASE OF DOING BUSINESS AGENDA POST-2018

The final assessment of the APEC's EoDB Second Action Plan corroborates that APEC achieved its collective 10% improvement target by the end of 2018. Better regulation in APEC economies have certainly contributed to improved business conditions in the region. Now, it is faster, cheaper and easier to do business. However, despite this accomplishment, it is clear that APEC still has additional work to do, as progress was uneven across the current five EoDB priority areas and across APEC economies.

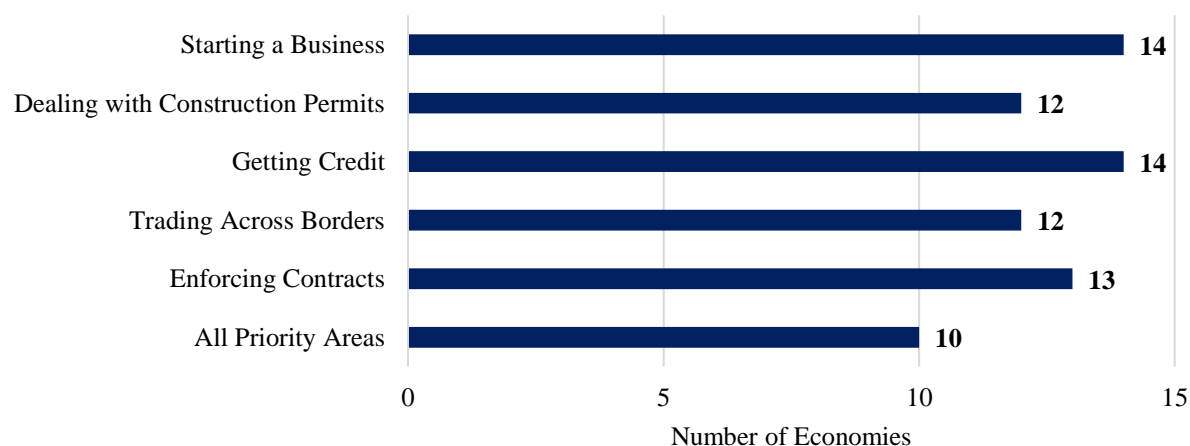
Moreover, while Doing Business indicators provide a general sense of the progress made by economies, some indicators reflect the availability of business features (such as availability of credit information, e-filing systems for litigation), but do not necessarily capture the extent of coverage, implementation, and enforcement of such reforms. As such, while APEC displayed commendable improvements in the EoDB indicators, there is room for APEC economies to improve further.

The APEC's EoDB Second Action Plan has also provided a space for public discussion in which experts can debate on what kind of reforms can be implemented to improve the business environment. Here in APEC, this final assessment also provides the opportunity to discuss next steps, as well as policy options, on how to move the agenda forward. In addition, the results indicate where APEC need to allocate more resources and efforts to facilitate doing business in the region.

##### IDENTIFYING PRIORITIES FOR AN AGENDA POST-2018

In 2018, a survey was conducted within the APEC Economic Committee regarding the APEC's EoDB Second Action Plan. Sixteen out of 21 APEC economies replied and expressed an interest in continuing with an EoDB-related initiative. In addition, the survey asked APEC economies the areas they had prioritized under the Second Action Plan. The results show that almost half of APEC economies prioritized all five priority areas (10 economies), which indicates how important it is for many APEC economies to improve business conditions across all sectors. Furthermore, the result shows that while priorities could differ among APEC economies, there was significant interest to do work regarding each individual priority area across the APEC region.

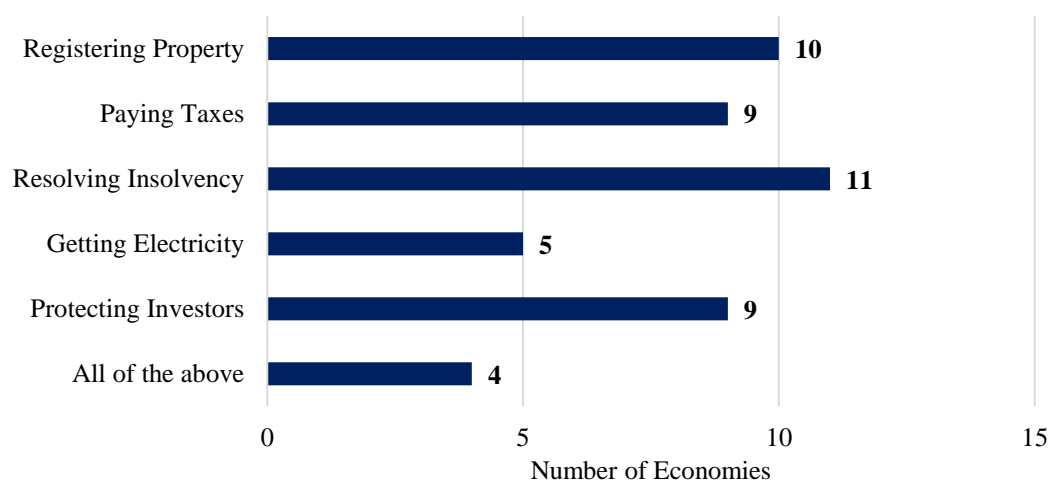
**Figure 4.1: Priority Areas in the APEC's EoDB Second Action Plan**



Source: Economy responses from the Ease of Doing Business Stocktake Survey

The survey also asked economies about their views on other World Bank’s Doing Business areas that they find useful to focus in the future. Of the 16 respondents, 14 listed at least one new area of interest. Among these new possible areas, Resolving Insolvency and Registering Property are the two areas with more expressions of interest to include in an EoDB post-2018 agenda.

**Figure 4.2: Possible Future EoDB Areas of Interest Post-2018**



Source: Economy responses from the Ease of Doing Business Stocktake Survey

While the survey responses listed a series of best practices implemented by APEC economies – the use of technology and electronic tools, the implementation of new legal frameworks, the streamlining of administrative procedures, and the harmonization of information among government agencies, among others<sup>12</sup> – the survey has also revealed some of the main challenges that APEC economies are facing to implement reforms needed to improve the business environment.

Many of the challenges listed by APEC economies are common across the region. Among the main issues flagged are building consensus; getting proper stakeholder engagement; and coordinating among institutions, either within the central government, or between central and sub-central government levels<sup>13</sup>. In this sense, there is demand among APEC economies about sharing experiences, not just in terms of what policies other economies have implemented, but also regarding the reform process, that is, how other economies were able to succeed in implementing policy changes.

Capacity-building should remain an important component in any APEC post-2018 agenda on doing business. Survey responses acknowledge a series of useful capacity-building activities, such as receiving tailored technical assistance, getting diagnostic reports and follow-up peer reviews, and engaging in consultations with other APEC economies and experts to guide governments in the implementation of reforms. In general, while comments regarding past APEC capacity-building experiences have been positive, economies have also expressed a

<sup>12</sup> Hunt, Alex (2018), “Overview of Ease of Doing Business Stocktake Survey Results”, High Level Structural Reform Officials’ Meeting, 17 August 2018, Port Moresby, Papua New Guinea.

<sup>13</sup> Ibid

favorable opinion on seeking either bilateral cooperation or tapping on resources from other international organizations<sup>14</sup>.

The decision on a post-2018 doing business-related agenda relies on APEC economies, but positive survey responses indicate that it is worth for APEC to continue working on this matter and a through discussion on a post-2018 agenda is pertinent. As explained in the APEC's EoDB Interim Assessment released last year, some of the options are related to: 1) keeping the existing priority areas; 2) focusing on new areas only; 3) combining existing and new priority areas; and 4) looking at an agenda beyond the World Bank's Doing Business indicators and putting further emphasis at qualitative aspects such as the sustainability of regulatory reforms and the better implementation of those reforms<sup>15</sup>.

In addition, the discussion should take into account issues related to the time length of the new initiative and the convenience of including a quantitative target, keeping in mind that it should be something measurable within the scope of the initiative. Likewise, any target cannot be overambitious or unimpressive due to credibility matters.

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<sup>14</sup> Ibid

<sup>15</sup> Kuriyama, Carlos, Denise Cheok and Divya Sangaraju (2018), "APEC's Ease of Doing Business – Interim Assessment 2015-2017", APEC Policy Support Unit, APEC#218-SE-01.11, p. 39-40.

## 5. REFERENCES

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## 6. APPENDIX: METHODOLOGY

### AVERAGE VALUES

The EoDB initiative requires not only credible targets, but also an assessment of the progress made by the APEC region with a methodology that is easy to understand.

As the target establishes an APEC-wide target of 10% improvement by 2018, the methodology should measure the evolution of APEC as a whole in the five EoDB priority areas. In this sense, the assessment should compare across time the average values of APEC in the EoDB indicators available from the World Bank Doing Business database.

The indicators included in this assessment, classified by priority areas, are the following ones:

- 1) Starting a Business
  - a) Procedures (number)
  - b) Time (days)
  - c) Cost (percentage of income per capita)
- 2) Dealing with Construction Permits
  - a) Procedures (number)
  - b) Time (days)
  - c) Cost (percentage of warehouse value)
  - d) Building Quality Control Index (from 0 to 15, 15 = the best quality)
- 3) Getting Credit
  - a) Strength of Legal Right Index (from 0 to 12, 12 = the strongest)
  - b) Depth of Credit Information Index (from 0 to 8, 8 = the deepest)
  - c) Coverage of Adults with Credit Information in Public Registries or Private Bureaus (percentage of adults)
- 4) Trading Across Borders
  - a) Time to Export, documentation + border compliance (days)
  - b) Cost to Export, documentation + border compliance (USD per container)
  - c) Time to Import, documentation + border compliance (days)
  - d) Cost to Import, documentation + border compliance (USD per container)
- 5) Enforcing Contracts
  - a) Time (days)
  - b) Cost (percentage of claim)
  - c) Quality of Judicial Processes Index (from 0 to 18, 18 = the best quality)

Simple averages for the APEC region are calculated for each indicator. They provide a transparent and straightforward method and they are simple to understand. By using simple averages, all APEC members are treated equally. For example, the calculation of the average number of procedures to start a business is calculated as follows:

$$APEC \text{ avg. procedures}_{2018} = \frac{\left( \frac{\text{Number of procedures in Australia}_{2018}}{\text{Number of APEC Economies}} + \frac{\text{Number of procedures in Brunei Darussalam}_{2018}}{\text{Number of APEC Economies}} + \dots + \frac{\text{Number of procedures in Viet Nam}_{2018}}{\text{Number of APEC Economies}} \right)}{\text{Number of APEC Economies}}$$

The APEC-wide annual rate of improvement (or decline) for the Second APEC's EoDB Action Plan can be calculated by comparing the average value in 2018 with the value obtained in 2015, which was established as the benchmark year. Following the example of the number of



procedures in the Starting a Business priority area, the APEC-wide rate of improvement in this indicator is equal to:

$$\text{APEC-wide rate of improvement avg.procedures}_{2015-2018} = \left[ \left( \frac{\text{APEC avg. procedures}_{2018}}{\text{APEC avg. procedures}_{2015}} \right) - 1 \right] \times 100$$

## MEDIAN VALUES

In some indicators, the presence of outliers may provide a distorted picture of APEC and any other region's collective performance, if only the average values are taken into account. Extreme values in some specific economies in any of those years may have pulled up or down APEC's averages and their improvement rates.

Hence, the inclusion of median values in this assessment can provide a more complete picture of APEC's performance. The median is the middle value in any data series, separating the upper half of the values with the lower half of the values. In other words, in the case of APEC, the median for any EoDB indicator is equivalent to the value registered by the economy located in the 11<sup>th</sup> position. For example, the following table shows the time to import in each of the 21 APEC members:

**APEC: Time to Import (Hours, 2019)**

| Position         | Hours       |
|------------------|-------------|
| 1 <sup>st</sup>  | 3.0         |
| 2 <sup>nd</sup>  | 7.0         |
| 3 <sup>rd</sup>  | 9.0         |
| 4 <sup>th</sup>  | 20.0        |
| 5 <sup>th</sup>  | 26.0        |
| 6 <sup>th</sup>  | 36.0        |
| 7 <sup>th</sup>  | 43.0        |
| 8 <sup>th</sup>  | 43.0        |
| 9 <sup>th</sup>  | 43.0        |
| 10 <sup>th</sup> | 51.0        |
| 11 <sup>th</sup> | 54.0        |
| 12 <sup>th</sup> | 61.8        |
| 13 <sup>th</sup> | 72.0        |
| 14 <sup>th</sup> | 72.5        |
| 15 <sup>th</sup> | 90.0        |
| 16 <sup>th</sup> | 132.0       |
| 17 <sup>th</sup> | 144.0       |
| 18 <sup>th</sup> | 180.0       |
| 19 <sup>th</sup> | 192.0       |
| 20 <sup>th</sup> | 205.6       |
| 21 <sup>st</sup> | 216.0       |
| <b>Average</b>   | <b>81.0</b> |
| <b>Median</b>    | <b>54.0</b> |

Source: World Bank – Doing Business

In this example, the average is higher than the median, as the time taken to import by the APEC economy in the 18<sup>th</sup>, 19<sup>th</sup>, 20<sup>th</sup> and 21<sup>st</sup> positions (180, 192, 205.6 and 219 hours, respectively) pushed up the average value. Seven APEC members had longer average time to import than the APEC's average time equivalent to 81 hours. On the contrary, APEC's median cost (54 hours) was not affected by the extreme values at the bottom end of the list, as 10 APEC members had longer times than APEC's median time and other 10 APEC members had shorter times than APEC's median time.

To summarize, the calculation of the APEC median regarding the time to import is as follows:

$$APEC \text{ median time to import}_{2018} = 11\text{th shortest time by an APEC member to import in 2018}$$

The comparison of APEC median values in 2015 and 2018 provides another way to measure improvement (or decline) in APEC's priority areas during the full period concerning the Second APEC's EoDB Action Plan. Following the example of the APEC median time to import, the APEC-wide rate of improvement is:

$$APEC\text{-wide rate of improvement} = \left[ \left( \frac{APEC \text{ median time to import}_{2018}}{APEC \text{ median time to import}_{2015}} \right) - 1 \right] \times 100$$

## DISTANCE TO FRONTIER

In the case of the indicators represented by indices, the annual rate of improvement in 2018 is not calculated by comparing the indices' scores from 2015 and 2018. Instead, the calculation of the improvement rate utilizes the values of the distance to frontier (DTF) from those years.

The DTF denotes how far the indicator is from the maximum possible score. For example, in the Getting Credit priority area, the Strength of the Legal Rights Index can take any value from 0 to 12 points, the higher the value, the stronger the legal rights system is. For APEC, the index reported an average value of 7.38 points in 2018. The DTF for year 2018 is equal to 4.62 points and it is calculated as follows:

$$\begin{aligned} APEC \text{ average DTF Strength of Legal Rights Index}_{2018} &= \frac{\text{Maximum possible score of the Strength of Legal Rights Index}}{APEC \text{ average Strength of Legal Rights Index}_{2018}} - APEC \text{ average Strength of Legal Rights Index}_{2018} \\ &= 12 - 7.38 \\ &= 4.62 \end{aligned}$$

In 2015, APEC's average value of the Strength of Legal Rights Index was equal to 6.43 points. Therefore, APEC's average DTF for the Strength of Legal Rights Index was equivalent to 5.57 points (12 – 6.43 = 5.57 points).

The APEC-wide rate of improvement of this indicator in year 2018 was calculated by comparing the average DTF values in APEC from 2015 and 2018:

$$APEC\text{-wide rate of improvement} = \left[ \left( \frac{APEC \text{ average DTF Strength of Legal Rights Index}_{2018}}{APEC \text{ average DTF Strength of Legal Rights Index}_{2015}} \right) - 1 \right] \times 100$$

$$APEC\text{-wide rate of improvement} = \left[ \left( \frac{4.62}{5.57} \right) - 1 \right] \times 100 = -17.1\%$$

APEC's average DTF in this indicator fell by 17.1% between 2015 and 2018. This means that APEC's average value of this index is 17.1% closer to the highest possible score of 12 points in comparison to its average value in 2015.

The DTF is used in all the EoDB indicators in which improvements are reflected with an increase in their scores/values. For example, the Getting Credit indicator on the Coverage of Adults with Credit Information in Public Registries or Private Bureaus (% of adult population) improved its average in the APEC region from 73.7% to 78.2% of the adult population between 2015 and 2018. Since the maximum possible value of the indicator is 100% of the adult population, then the APEC DTF for this indicator was equivalent to  $100\% - 78.2\% = 21.8\%$  of the adult population in 2018 and  $100\% - 73.7\% = 26.3\%$  of the adult population in 2015.

### **CALCULATION OF THE COVERAGE OF ADULTS WITH CREDIT INFORMATION IN PUBLIC REGISTRIES OR PRIVATE BUREAUS**

The World Bank's Doing Business provides two separate indicators to determine the coverage of credit information from the adult population in each economy. One of the indicators shows the percentage of adults with their information available in public credit registries. The other indicator measures the same, but in private credit bureaus. Both institutions, public credit registries and private credit bureaus, seek to improve the availability of credit information in order to facilitate decisions to lenders regarding loan applications.

Within the APEC region, credit information databases are available in all economies. While private credit bureaus are available in 19 APEC economies, 8 economies have public credit registries in place and 6 economies have both of them. Since most of the economies only have in place one of these two systems, calculating the rate of progress in APEC of these two indicators separately would not necessarily give a proper indication of the percentage of adults whose credit information is available to lenders. Instead, this report combines both indicators, by taking the highest value every year in each APEC economy. Those highest values in each economy are taken into account to calculate this indicator's average and median values for the whole APEC region.

For example, Malaysia reported that the credit information coverage was equal to 66.3% of the adult population in public credit registries and 86.6% in private credit bureaus in 2018. For that year, the indicator in the assessment for Malaysia took the highest value of 86.6% of the adult population, which is taken into account in the calculation of APEC's average and median credit information coverage.

### **OBTAINING THE APEC-WIDE RATE OF IMPROVEMENT BY PRIORITY AREA AND APEC-WIDE OVERALL IMPROVEMENT**

Since all the priority areas are comprised of indicators with different natures and units of measurement (i.e. numbers, days and percentage of income per capita, among others), the estimation of the APEC-wide rate of improvement in any priority area can be obtained by calculating the simple average of the rates of improvement (or decline) in each of the indicators belonging to the particular priority area. This can be calculated by using the rates of improvement (or decline) for either APEC averages or APEC median values.

For example, the APEC-wide average rate of improvement in the Starting a Business priority area in the period 2015-2018 can be obtained by using the rates of improvement (or decline) of the averages in each of the three indicators belonging to this priority area:

$$\text{APEC-wide rate of improvement (Starting a Business)}_{2015-2018} = \frac{\left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{average procedures} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{average time} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{average cost} \end{array} \right)_{2015-2018}}{\text{Number of Indicators}}$$

By using a simple average, the measurement gives the same importance to each of the indicators within the specific priority area.

Similarly, the APEC-wide median rate of improvement in the Starting a Business priority area can be obtained by averaging the rates of improvement (or decline) of APEC median values in each of the three indicators that are part of this priority area:

$$\text{APEC-wide rate of improvement (Starting a Business)}_{2015-2018} = \frac{\left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{median procedures} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{median time} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{median cost} \end{array} \right)_{2015-2018}}{\text{Number of Indicators}}$$

The methodology allows the identification of the priority areas and indicators in which APEC has met or surpassed its aspirational targets and assists APEC in recognizing areas where more work is needed. The calculation of the APEC-wide rate of improvement in any priority area by using average and median values separately also provides an indication whether the progress in the priority areas' indicators is explained by a small group of APEC members or is more widespread amongst a larger group of economies.

This methodology also provides a measure of the overall APEC-wide rate of improvement for the whole EoDB initiative. In this regard, this measure can be attained by combining the APEC-wide rates of improvement in the five priority areas:

$$\text{APEC-wide rate of improvement EODB}_{2015-2018} = \frac{\left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{Starting a Business} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{Dealing with Construction Permits} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{Getting Credit} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{Trading across Borders} \end{array} \right)_{2015-2018} + \left( \begin{array}{l} \text{APEC-wide} \\ \text{rate of improvement} \\ \text{Enforcing Contracts} \end{array} \right)_{2015-2018}}{\text{Number of Priority Areas}}$$

The APEC-wide rate of improvement in the EoDB initiative can be calculated by using either the rates of improvement concerning APEC averages or those concerning APEC median values.

The intention of the EoDB initiative is to reach an APEC-wide improvement of 10 percent by 2018. Measuring the overall improvement by using a simple average of the rates of improvement (or decline) of the five priority areas reduces the subjectivity of the assessment by considering all priority areas as equally important<sup>16</sup>.

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<sup>16</sup> If weighted averages are introduced, the overall results could be skewed toward the priority area assigned with the greater weight. Assigning weights could introduce additional complications, such as the criteria to be used. It is also possible that individual APEC economies differ on the importance to assign to each of the priority areas based on their particular realities.