



**Asia-Pacific
Economic Cooperation**

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

APEC's Ease of Doing Business – Final Assessment 2009-2015

**A collaborative report between the APEC Economic
Committee and the APEC Policy Support Unit**

APEC Policy Support Unit
August 2016

Prepared by:

Carlos Kuriyama, Huani Zhu, and Denise Cheok
Asia-Pacific Economic Cooperation Policy Support Unit
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace
Tel: (65) 6891-9600 Fax: (65) 6891-9690
Email: psugroup@apec.org Website: www.apec.org

Produced for:

Asia-Pacific Economic Cooperation Policy Support Unit
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace
Tel: (65) 6891-9500 Fax: (65) 6891-9690
Email: psugroup@apec.org Website: www.apec.org

APEC#216-SE-01.10



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The views expressed in this paper are those of the authors and do not necessarily represent those of APEC Member Economies. The authors would like to thank Genevieve Ann Jeffrey for providing editorial assistance.

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EXECUTIVE SUMMARY

The final assessment of the APEC's Ease of Doing Business (EoDB) initiative, which takes into account the period 2009-2015, looks at the performance of the APEC region using the indicators of the World Bank's Doing Business 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.

This assessment, prepared by the APEC Policy Support Unit in collaboration with the Economic Committee, shows that APEC has fallen short of the overall target of a 25% improvement by 2015, by posting a combined progress in the five priority areas equivalent to 14.6%. However, despite the fact that the target was not met, significant progress was achieved by APEC in some areas.

For example, when examining APEC's average values in the indicators of all priority areas, the progress achieved in Starting a Business was a remarkable 47.4% improvement, far ahead of the 25% improvement target. The average time to start a business went down by almost two weeks from 28.5 to 14.8 days. The progress in Dealing with Construction Permits, equivalent to 13.9%, did not meet the required target, but the average time to get a construction permit went down by more than one month, from 149 to 112 days, which is a significant improvement between 2009 and 2015. Similarly, Getting Credit indicators reached a combined progress of 10.1%. In particular, there was a noticeable expansion of the average coverage of the adult population with credit information available in private credit bureaus, going up from 48.8% to 61.4%.

APEC: Accumulated Overall Progress of Ease of Doing Business Initiative (Average Values)

Improvement	Starting a Business	Dealing with Construction Permits	Getting Credit	Trading Across Borders	Enforcing Contracts	Overall Progress	Benchmark
2009 – 2010*	6.3	3.3	1.8	1.4	0.0	2.6	2.5
2009 – 2011*	17.1	6.9	3.3	2.7	0.4	6.1	5.0
2009 – 2012*	22.8	15.7	4.0	2.5	0.1	9.0	10.0
2009 - 2013*	27.3	19.8	6.6	2.6	0.2	11.3	15.0
2009 – 2014**	38.7	14.9	8.0	1.5	0.5	12.7	20.0
2009 - 2015***	47.4	13.9	10.1	1.4	0.4	14.6	25.0

Source: APEC Secretariat, Policy Support Unit calculations using data from:

* World Bank, Doing Business 2014 database

** World Bank, Doing Business 2015 database

*** World Bank, Doing Business 2016 database

Note: Figures in percentage values. Improvements are shown with positive values.

The other two areas, Trading Across Borders and Enforcing Contracts, did not make significant progress. In the case of Trading Across Borders, the combined improvement of 1.4% was due to increases in the average cost to trade which offset the effect of the reduced average time to trade in the APEC region. For Enforcing Contracts, the change was only marginal during the period 2009-2015. For these two priority areas, it is possible that the low improvement rates are explained by the complexity to implement regulatory reforms in issues concerning connectivity and trade, and judiciary matters. Many of these reforms in most APEC economies need to go through several layers of approval, for example, legislative branches. For Enforcing

Contracts, an additional difficulty is found in some economies concerning the separation of powers between the judiciary and the executive and/or legislative branches, in which an initiative from the central government to reform the judiciary may be seen as an undue interference in matters that exclusively are the responsibility of the judiciary branch.

In contrast, some reforms in areas related to Starting a Business, Dealing with Construction Permits or Getting Credit, are easier to conduct as they are usually implemented at the municipal level or only require approval from one branch (e.g. executive branch).

APEC's median values concerning the indicators belonging to the five EoDB priority areas evolved in a similar way to its average values. Starting a Business was the area that reported the greatest progress, followed by Dealing with Construction Permits and Getting Credit. Progress in Trading Across Borders and Enforcing Contracts were far behind the 25% improvement target as well.

APEC: Accumulated Overall Progress of Ease of Doing Business Initiative (Median Values)

Improvement	Starting a Business	Dealing with Construction Permits	Getting Credit	Trading Across Borders	Enforcing Contracts	Overall Progress	Benchmark
2009 – 2010*	6.8	-2.6	5.1	2.7	0.0	2.4	2.5
2009 – 2011*	22.0	-5.7	3.4	5.0	0.0	4.9	5.0
2009 – 2012*	23.0	4.6	4.5	5.0	-0.3	7.4	10.0
2009 – 2013*	23.0	9.5	5.0	6.5	0.5	8.9	15.0
2009 – 2014**	27.2	22.0	9.6	4.3	-1.1	12.4	20.0
2009 – 2015***	37.9	17.3	11.3	6.4	1.1	14.8	25.0

Source: APEC Secretariat, Policy Support Unit calculations using data from:

* World Bank, Doing Business 2014 database

** World Bank, Doing Business 2015 database

*** World Bank, Doing Business 2016 database

Note: Figures in percentage values. Improvements are shown with positive values.

Whilst APEC could not keep the pace to meet the 25% improvement target in 2015, the progress achieved so far across the region cannot be disdained. Now, it is cheaper, easier and faster to deal with different aspects related to doing business in the region. This facilitates a more efficient use of resources and represents significant savings for firms and individuals. Indeed, APEC's performance has been greater than that of the rest of the world.

The results in this assessment indicate that APEC has made progress, but there is still room for improvement in several areas, especially regarding Trading Across Borders and Enforcing Contracts. In this sense, the decision by the APEC Economic Committee to continue with this EoDB initiative and launch a new action plan for the period 2016-2018, covering the same five priority areas and setting a collective target of 10% improvement across all these areas are very important decisions.

Capacity-building remains a pillar of this APEC's EoDB Second Action Plan. Based on the experience of the First Action Plan between 2010 and 2015, the exchange of experiences and best practices and the preparation of diagnostic studies were very useful for APEC economies to understand more the bottlenecks affecting them doing business and learn about the sort of actions that could be implemented to solve existing problems. These capacity-building efforts need to include a mix of APEC-wide and economy-specific activities. The Second Action Plan

2016-2018 will continue to build the capacity-building efforts of the First Action Plan and emphasize the implementation of reforms associated to the five priority areas.

1. INTRODUCTION: APEC'S EASE OF DOING BUSINESS

A. HISTORY

The APEC's Ease of Doing Business (EoDB) initiative dates back to February 2009, when Senior Officials meeting in Singapore agreed to put in place an Action Plan to improve the business environment in the APEC region through regulatory reforms that make it cheaper, faster and easier to do business¹.

This initiative is based on the World Bank's Doing Business project, which developed indicators in 11 areas for 183 economies (including all APEC member economies) to provide objective measures on business regulations and their enforcement. These indicators offer measurable benchmarks for reform².

APEC Ministers Responsible for Trade agreed in July 2009 to focus on five priority areas of Doing Business, namely: 1) Starting a Business; 2) Dealing with Construction Permits; 3) Getting Credit; 4) Trading Across Borders; and 5) Enforcing Contracts. In November 2009, APEC Leaders agreed to set an APEC-wide improvement target of 25 percent by 2015 in these five areas, with an interim 5 percent improvement target by 2011.

The EoDB initiative also includes capacity-building programs in order to assist APEC member economies in their efforts to improve their business environment. APEC's EoDB First Action Plan for the period 2010-2015 included capacity-building activities in two phases:

- Phase 1: Activities to share information and experiences, such as seminars and workshops.
- Phase 2: Technical experts to conduct diagnostic studies, tailored to an individual economy's priority area for improvement, and develop customized, practical recommendations for creating a more favourable environment for doing business in that area.

Under the EoDB First Action Plan, APEC identified champion economies in each of the priority areas to lead capacity-building activities. Champion economies by priority areas are:

- Starting a Business: New Zealand and the United States
- Dealing with Construction Permits: Singapore
- Getting Credit: Japan
- Trading Across Borders: Hong Kong, China (only for Phase 1) and Singapore
- Enforcing Contracts: Korea

¹ See APEC (2009), "Discussion Paper on Ease of Doing Business (EoDB)", 2009/CSOM/023, Concluding Senior Officials' Meeting - Plenary Session, 9 November 2009.

² See <http://www.doingbusiness.org/about-us>

B. SETTING THE OVERALL TARGET

When the EoDB initiative was launched, its framework highlighted the importance of measuring APEC-wide results while aiming to improve the overall APEC average.

A document produced by the APEC SOM Chair's Office in 2009 showed that APEC economies had made substantial progress in many Doing Business areas from 2005 to 2009. For example, during that period, starting a business became 28 percent cheaper and 26 percent faster on average. Dealing with permits became 20 percent cheaper and credit information improved by 23 percent.³

More revealingly, this 2009 document found that if all APEC economies performing below the median level of APEC were to improve up to the median level, this would have resulted in substantial improvements such as making it 50 percent cheaper and 45 percent faster on average to start a business; 37 percent cheaper to enforce contracts; and 29 percent easier to deal with permits⁴.

The results between 2005 and 2009 showed that despite the good progress by APEC, there was room for improvement and therefore, potential for reform. Based on those results and the strong commitment to conduct regulatory reforms across APEC, the target equivalent to a 25 percent improvement by 2015 was endorsed by APEC Leaders. Getting closer to that target represents substantial gains for businesses. The 2009 APEC Annual Ministerial Statement highlighted that if targets are achieved, some of the benefits, on average, would be to lower the cost of importing and exporting a container of goods by up to USD 450; reducing the time taken to start a business by one week; and the removal of five procedures to obtain a construction permit⁵.

It is important that APEC continues promoting capacity-building activities to assist governments in their efforts to implement reforms to make it easier, faster and cheaper to do business. Activities such as diagnostic studies, workshops, seminars, advisory services and mechanisms to promote inter-institutional coordination within governments could be some useful examples of capacity-building.

³ APEC (2009), op. cit.

⁴ Ibid.

⁵ APEC (2009a), "2009 APEC Ministerial Meeting: Joint Statement – Sustaining Growth, Connecting the Region", http://www.apec.org/en/Meeting-Papers/Ministerial-Statements/Annual/2009/2009_amm.aspx

C. INTERIM ASSESSMENT MEASUREMENT APPROACH

The report seeks to establish if APEC collectively has met the overall target of a 25 percent improvement by 2015. APEC annual average values were calculated for each of the EoDB priority areas' sub-indicators. Averages for year 2015 were compared against those of 2009 to assess APEC's accumulated progress in the EoDB initiative. Year 2009 was selected as the benchmark to measure the improvement rates in each EoDB indicator.

For a more accurate assessment, median values were also presented, allowing a comparison against average values. As explained in previous assessments, the inclusion of median values is justified by the presence of extreme values (outliers) in many of the EoDB indicators⁶. As opposed to averages, median values are not affected by outliers in the Doing Business database and hence provide a closer indication of the trend that APEC members are collectively following in their EoDB indicators.

This year's methodology to calculate improvement rates in the Trading Across Borders and Enforcing Contracts priority areas has been adjusted in comparison to previous years due to recent changes in the World Bank's Doing Business indicators. In the Getting Credit priority area, changes in the methodology were introduced last year⁷.

Among the changes, in the case of Trading Across Borders, Doing Business indicators on the number of documents to export and import were dropped and the indicators on the time and cost to export and import were split into two separate stages: 1) time and cost for border compliance and 2) time and cost for documentation compliance. In order to compare the 2015 results with those from 2009, the time and cost for these two components were added into one indicator each for time and cost.

In the case of Enforcing Contracts, the number of documents required to enforce a contract was dropped from the calculation of the rate of progress in this area.

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

⁶ For more information, see APEC (2012), "2012 APEC Economic Policy Report", http://publications.apec.org/publication-detail.php?pub_id=1330; APEC Policy Support Unit (2013), "APEC's Ease of Doing Business – Interim Assessment 2009-2012", http://publications.apec.org/publication-detail.php?pub_id=1436

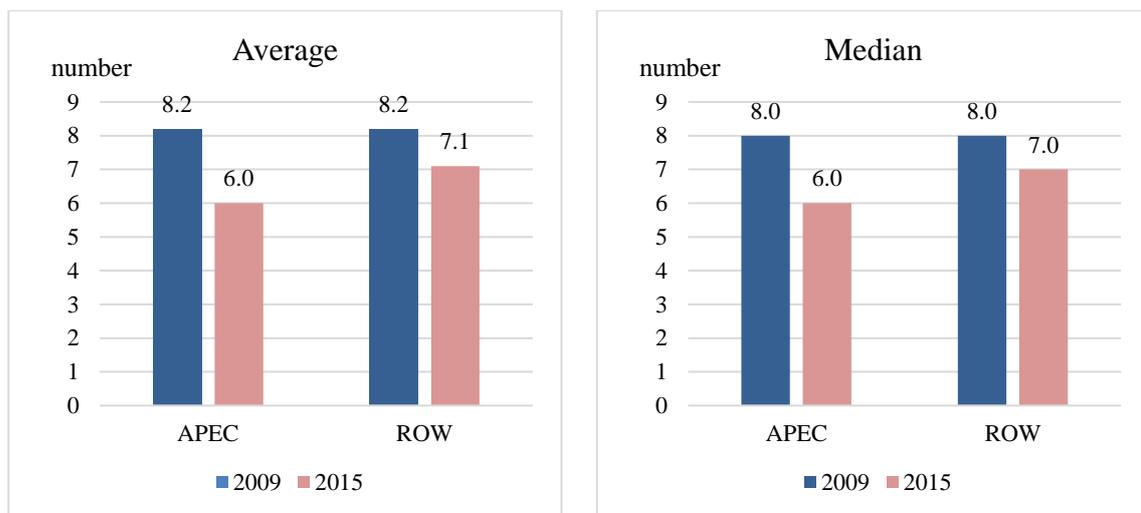
⁷ APEC Policy Support Unit (2015). "APEC's Ease of Doing Business – Interim Assessment 2009-2014", http://publications.apec.org/publication-detail.php?pub_id=1658

2. APEC'S IMPROVEMENTS BY PRIORITY AREAS

A. STARTING A BUSINESS

The average number of procedures required to start a business in the APEC region fell from 8.2 in 2009 to 6.0 in 2015. This improvement was consistent across the board, with 14 out of 21 APEC member economies reducing the number of procedures between 2009 and 2015. APEC's improvement was also better than that of the rest of the world, which reduced the average number of procedures from 8.2 to 7.1 between 2009 and 2015.

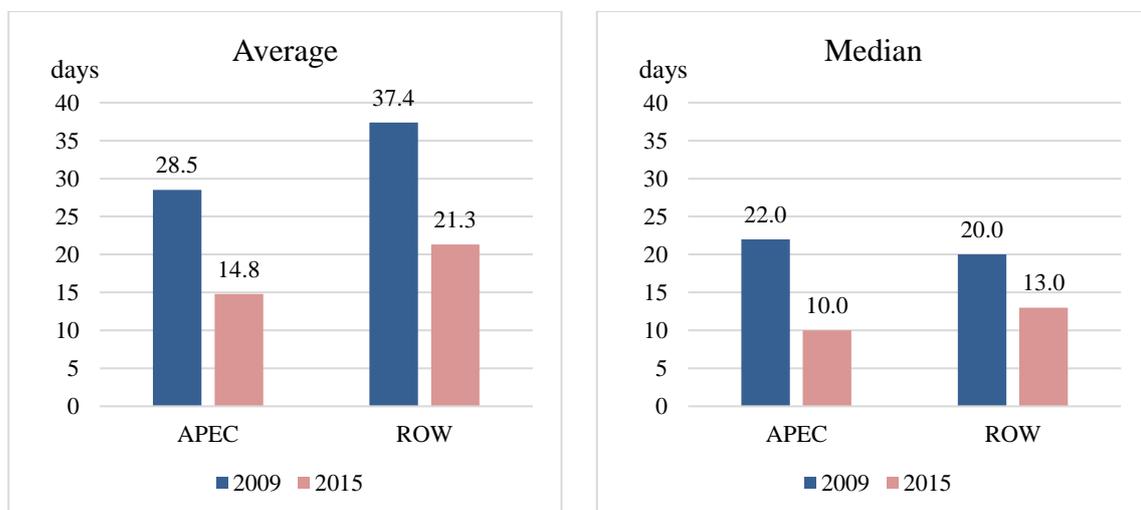
Figure 1: Number of Procedures to Start a Business



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

The average and median number of days needed to start a business in APEC member economies also halved from 2009 to 2015. While some of the most significant reductions occurred in Latin American and Southeast Asian APEC members, there was a general improvement in the amount of time across the APEC region.

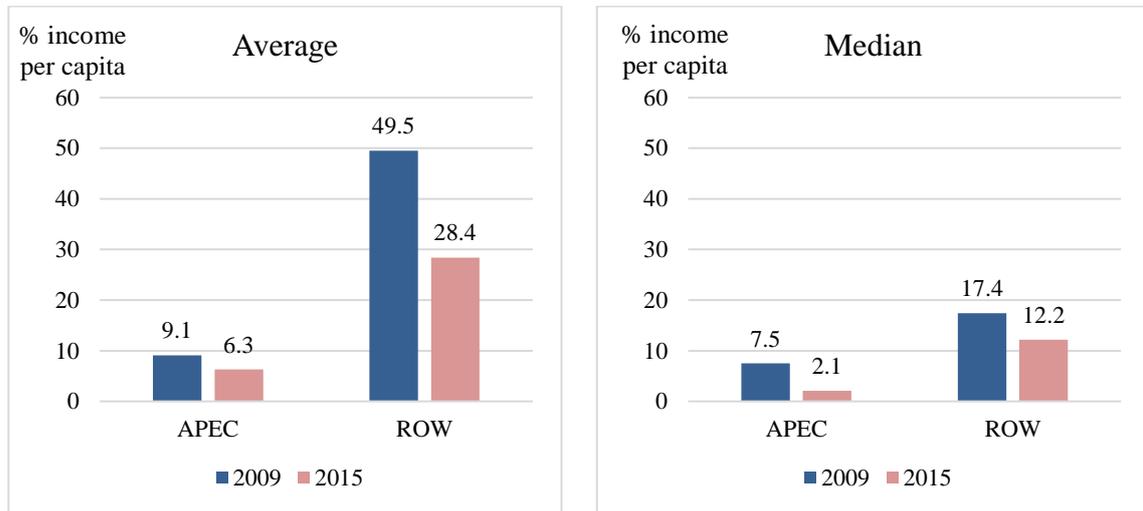
Figure 2: Time to Start a Business



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

APEC's average and median cost of starting a business was already much lower in 2009 compared to the rest of the world. Nonetheless, there was still a fall in cost in APEC between 2009 and 2015. Within the APEC region, this significant improvement was mostly explained by eight developing economies which contributed to this decline in costs.

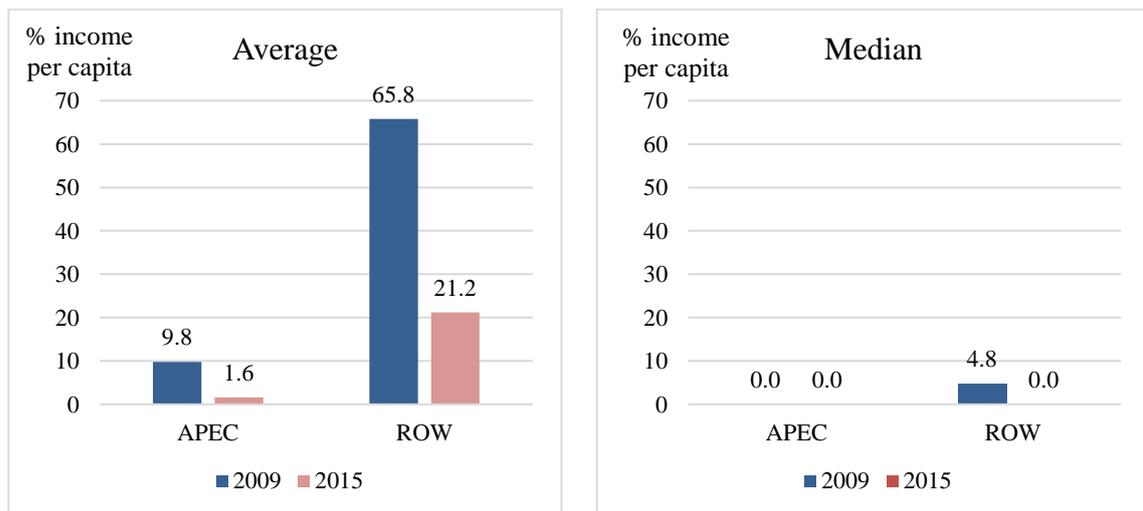
Figure 3: Cost to Start a Business (% of income per capita)



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

There has been a large improvement in the APEC region in reducing the average paid-in minimum capital required to start a business. In 2009, only five economies had a paid-in minimum capital requirement whereas in 2015, this number dropped to just two economies.

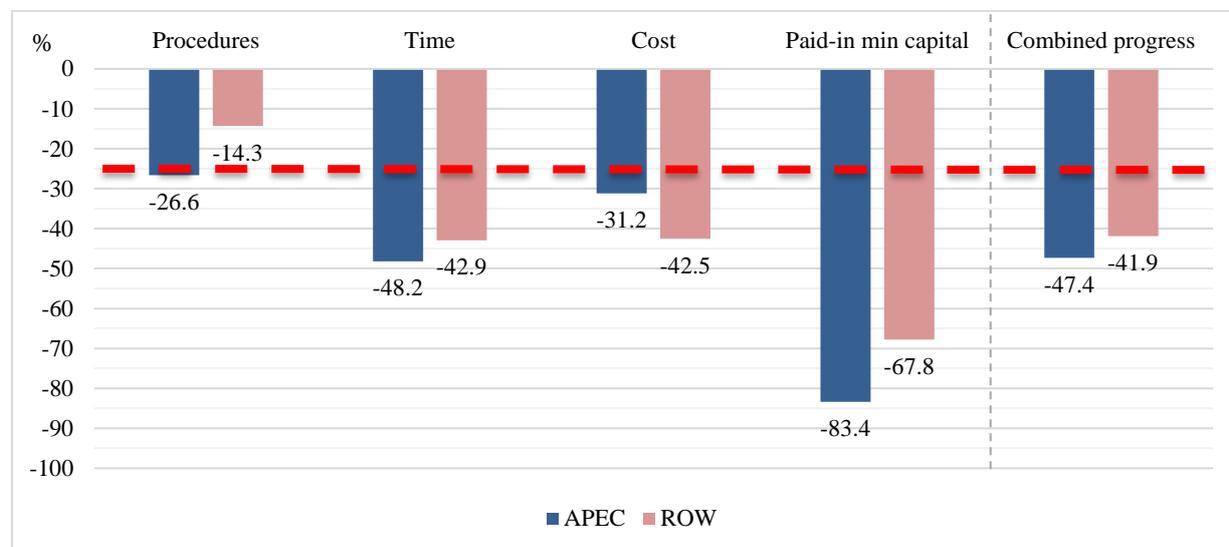
Figure 4: Paid-in Minimum Capital to Start a Business (% of income per capita)



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

By looking at the average values, the APEC region met the 25% improvement target in all Starting a Business indicators. In particular, APEC economies have done relatively well in reducing paid-in minimum capital requirements, time spent and cost to start a business. APEC's combined progress in this priority area was equivalent to 47.4%, slightly better than that of the rest of the world (41.2%).

Figure 5: Percentage Change in Average Values for Starting a Business Indicators between 2009 and 2015



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

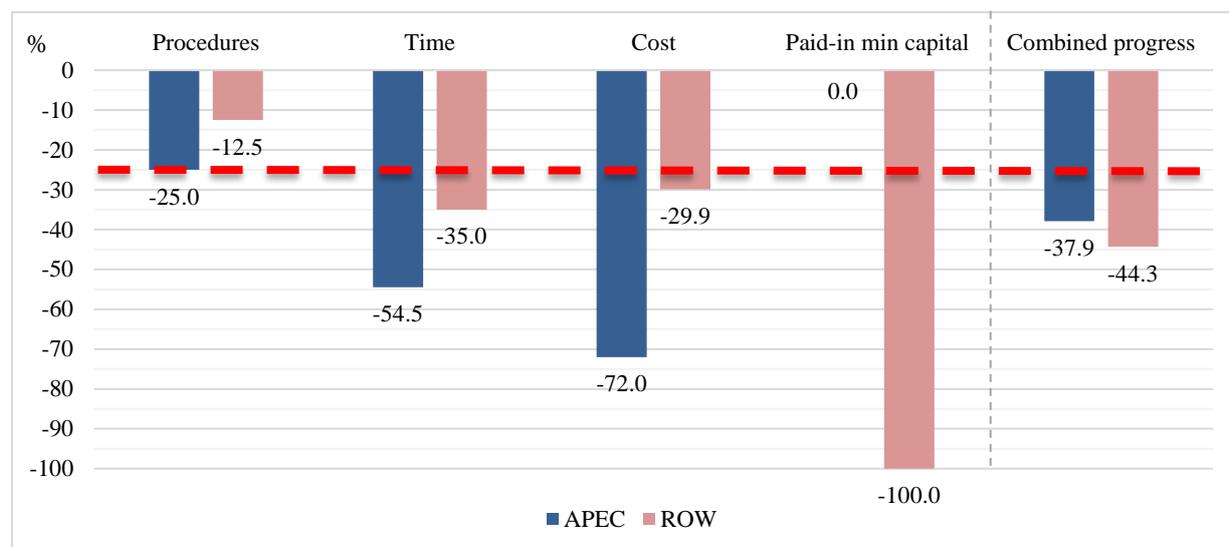
Table 1: Comparison of APEC's Starting a Business Average Indicators with 2015 Targets

Average values	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in min. capital (% of income per capita)
Current situation (2015)	6.0	14.8	6.3	1.6
Overall Target (25% Improvement)	6.2	21.4	6.9	7.4
Gap to Achieve 2015 Target	Target achieved	Target achieved	Target achieved	Target achieved

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

From the median perspective, the APEC region also hit the 25% improvement target. The largest reduction was in the median cost, followed by the median time to start a business.

Figure 6: Percentage Change in Median Values for Starting a Business Indicators between 2009 and 2015



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

Table 2 : Comparison of APEC's Starting a Business Median Indicators with 2015 Targets

Median values	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in min. capital (% of income per capita)
Current situation (2015)	6.0	10.0	2.1	0.0
Overall Target (25% Improvement)	6.0	16.5	5.6	0.0
Gap to Achieve 2015 Target	Target achieved	Target achieved	Target achieved	Target achieved

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

Box 1: Facilitating the Procedures to Start a Business

The APEC region did well in this priority area by implementing policies aimed at simplifying the process to start a new business. Selected examples from Brunei Darussalam; Hong Kong, China; the Philippines and Viet Nam illustrate this progress.

Brunei Darussalam simplified registration and post-registration requirements to start a business, and improved online procedures. As a result, the average time required to establish a business dropped to almost one-tenth from the previous year.

Hong Kong, China made the use of a common seal, or company seal, optional in starting a business under the new Companies Ordinance (Chapter 622). A company can now execute a document either by signature or using a common seal, at their discretion.

The Philippines streamlined communications between the Securities and Exchange Commission and the Social Security System through improved coordination between the national and local governments. This new initiative was launched in April 2015, and reduced the 16 steps originally required to start a business to just six. This change will likely be reflected in next year's World Bank Doing Business indicators.

Viet Nam reduced the time required to get the company seal engraved and registered under its Law on Enterprises which came into effect on July 2015. The seal is affixed to official company documents in place of an official signature. This new law also gave new enterprises more flexibility in creating their own company seal.

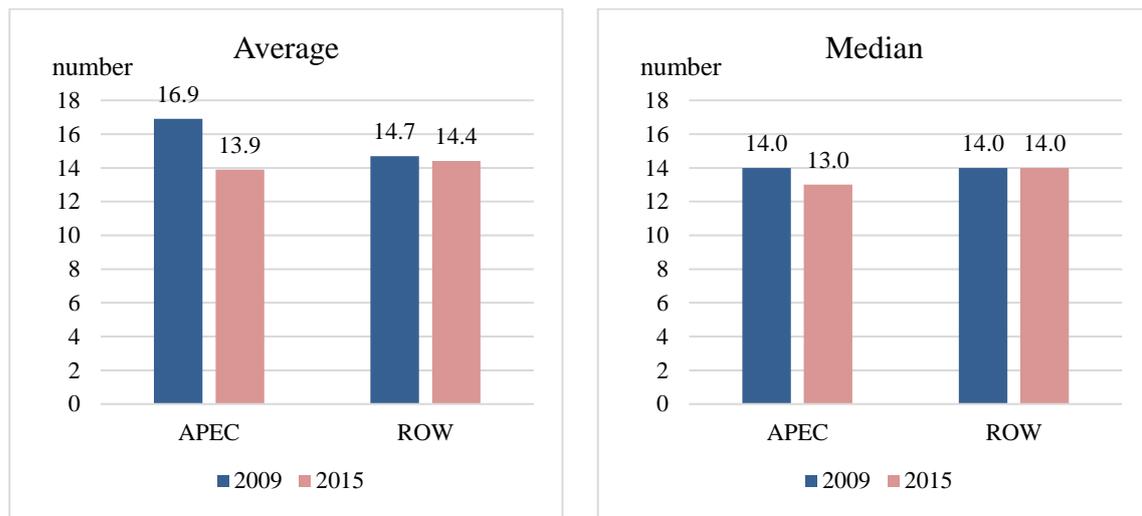
Sources:

- World Bank; “Business Reforms for Starting a Business”; <http://www.doingbusiness.org/reforms/overview/topic/starting-a-business>
- The Brunei Times; “Brunei rises to 84th in WB’s Doing Business rankings”; October 2015; <http://www.bt.com.bn/frontpage-news-national/2015/10/29/brunei-rises-84th-wb%E2%80%99s-doing-business-rankings>
- The Companies Registry; “New Companies Ordinance (Chapter 622) Highlights”; http://www.cr.gov.hk/en/companies_ordinance/docs/NewCO_C622_HL_FullVersion-e.pdf
- Vietnam Briefing; “Starting a Business Under the New Law on Enterprises: Company Seals and Bank Accounts”; July 2015; <http://www.vietnam-briefing.com/news/starting-business-law-enterprises-company-seals-bank-accounts.html/#sthash.XXxKvkDD.dpuf>
- InterAksyon; “Too many steps, payments: or why 6-place drop in Ease of Doing Business report unsurprising”; October 2015; <http://www.interaksyon.com/business/119485/too-many-steps-payments-or-why-6-place-drop-in-ease-of-doing-business-report-unsurprising>

B. DEALING WITH CONSTRUCTION PERMITS

APEC did better than the rest of the world in terms of the number of procedures required to obtain a construction permit. In 2015, the average number of procedures within the APEC region fell below the rest of the world average (see Figure 7). Similarly, there was a slight fall in the median number of procedures, from 14 in 2009 to 13 in 2015. Four developing APEC economies had a significant drop in the number of procedures, which contributed to this improvement.

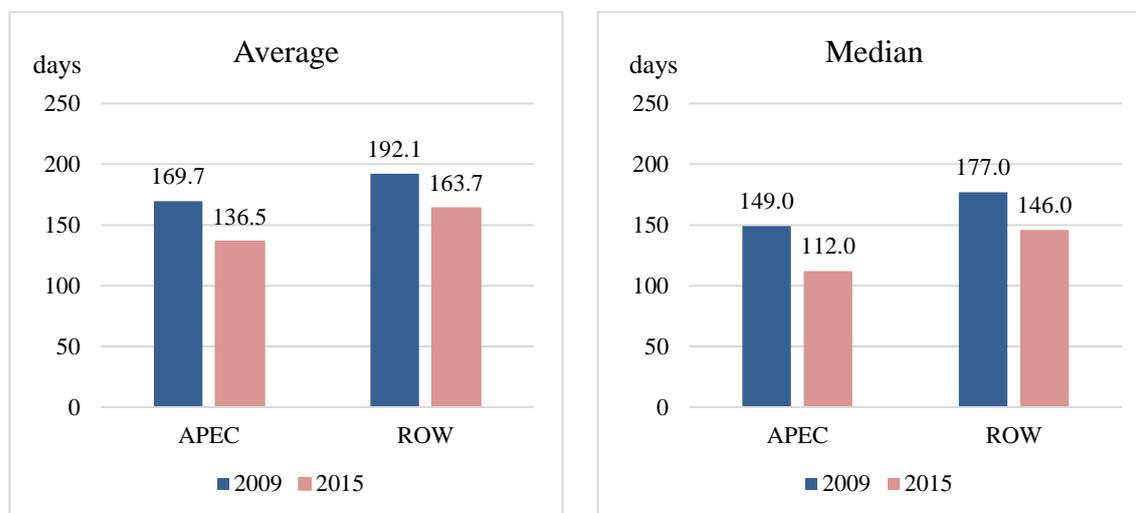
Figure 7: Number of Procedures to Obtain a Construction Permit



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

The average and median time spent dealing with construction permits in the APEC region went down by more than a month between 2009 and 2015. Both the average and median number of days needed in APEC economies are much lower than the rest of the world. It is worth noting the significant progress by two developing APEC economies which reduced the time by more than six months. Other five APEC economies in Latin America and Asia also decreased the time required by more than a month.

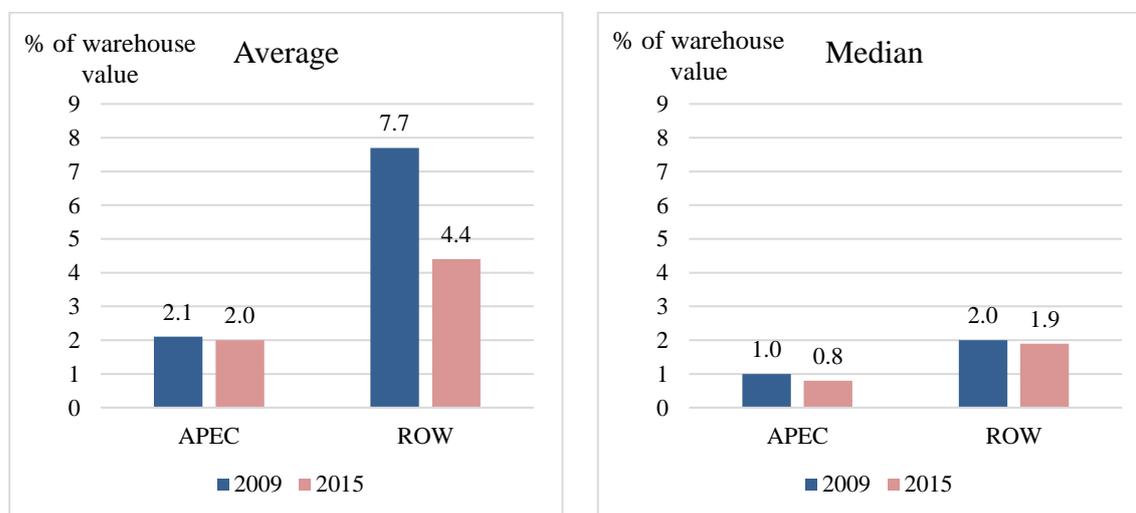
Figure 8: Time to Obtain a Construction Permits



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

There was a slight drop in both the average and median cost to obtain a construction permit in APEC. Overall, the APEC economies still did significantly better than the rest of the world. Individually, most member economies reduced their costs but this was offset by two member economies whose cost increased by more than 60% as a percentage of warehouse value between 2009 and 2015.

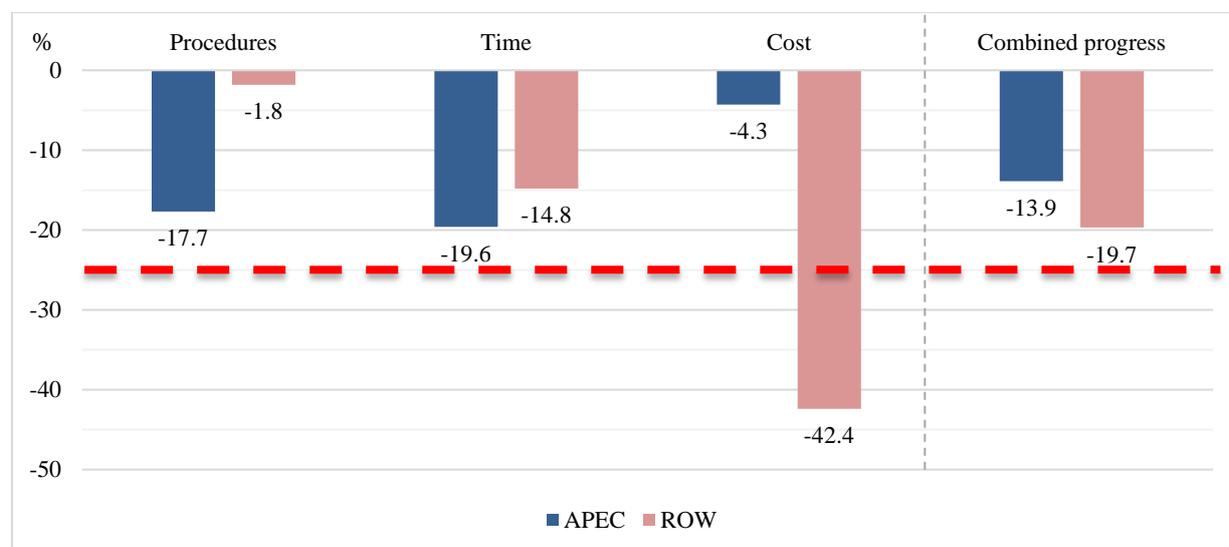
Figure 9: Cost to Obtain a Construction Permit (% of warehouse value)



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

Despite the significant progress achieved in this priority area, APEC fell short of the 25% improvement target in three Dealing with Construction Permits indicators. The largest gap is in the cost as a percentage of warehouse value, which also pulled the combined progress down. Nonetheless, improvements by APEC have placed the region in a better position with respect to the rest of the world in absolute terms, especially regarding the number of procedures and time taken to obtain a construction permit.

Figure 10: Percentage Change in Average Values for Dealing with Construction Permits Indicators between 2009 and 2015



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

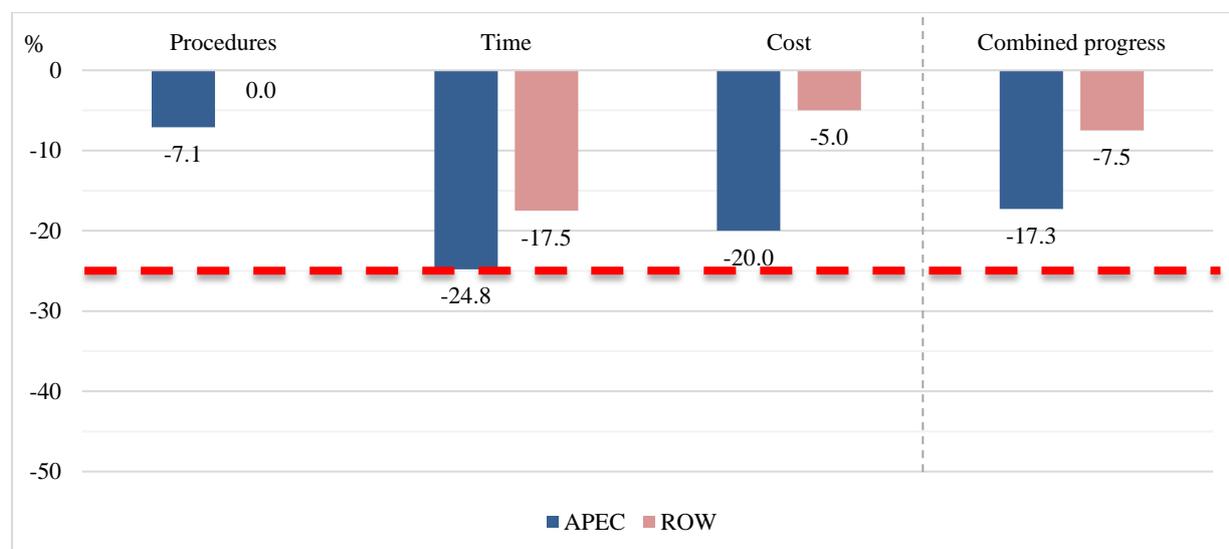
Table 3: Comparison of APEC's Dealing with Construction Permits Average Indicators with 2015 Targets

Average values	Procedures (number)	Time (days)	Cost (% of warehouse value)
Current situation (2015)	13.9	136.5	2.0
Overall Target (25% Improvement)	12.7	127.3	1.6
Gap to Achieve 2015 Target	1.2	9.2	0.4

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

Similarly when looking at APEC's median values, the progress in this priority area did not achieve the 25% improvement target. Whilst most of the progress was explained by the reduction of the median time and cost to obtain a construction permit in APEC, the median number of procedures did not fall at the same pace.

Figure 11: Percentage Change in Median Values for Dealing with Construction Permits Indicators between 2009 and 2015



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

Table 4: Comparison of APEC's Dealing with Construction Permits Median Indicators with 2015 Targets

Median values	Procedures (number)	Time (days)	Cost (% of warehouse value)
Current situation (2015)	13.0	112.0	0.8
Overall Target (25% Improvement)	10.5	111.8	0.75
Gap to Achieve 2015 Target	2.5	0.2	0.05

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

Box 2: Easier Procedures to Deal with Construction Permits

While APEC member economies did not meet the 25% improvement target in this priority area, there have been some advances in the process of obtaining a construction permit since 2009. Examples from Indonesia; Thailand and the United States illustrate these improvements.

Indonesia succeeded in reducing the cost to obtain a construction permit as a percentage of warehouse value from 4.9% to 4.3%. The Investment Coordinating Board (BKPM) is looking to streamline procedures by requiring only a single environmental impact analysis (Amdal) document to be submitted to the Public Works and Public Housing Ministry, instead of three separate ones.

Thailand reduced the number of days required to obtain a construction permit from 118 days to 103 days, and the Department of Public Works and Town and Country Planning is working to further simplify the process of obtaining a construction licence. Getting an Environmental Impact Assessment (EIA) approval is also expected to be easier as the Thai government seeks to increase collaborations between departments and employ foreign firms to aid with EIAs.

The United States introduced the Federal Permitting Improvement Act in January 2015 to streamline the process of federal approval for major infrastructure projects. The bill seeks to create a coordinating council of relevant agencies to establish best practices and model timelines for review. It also enhances transparency in the process of obtaining construction permits by requiring agencies to post timelines online with relevant documents and calling on managers to accept public comments earlier in the process.

Sources:

- World Bank; “Business Reforms for Dealing with Construction Permits”; <http://www.doingbusiness.org/reforms/overview/topic/dealing-with-construction-permits>
- The Jakarta Post; “BKPM wants simpler permits with single Amdal document”; 10 July 2015; <http://www.thejakartapost.com/news/2015/07/10/bkpm-wants-simpler-permits-with-single-amdal-document.html>
- The Nation; “PM targets improvement in ease of doing business”; November 2015; <http://www.nationmultimedia.com/business/PM-targets-improvement-in-ease-of-doing-business-30272438.html>
- Government Executive; “Construction Permit Streamlining Bill Clears Senate”; 3 August 2015;

C. GETTING CREDIT

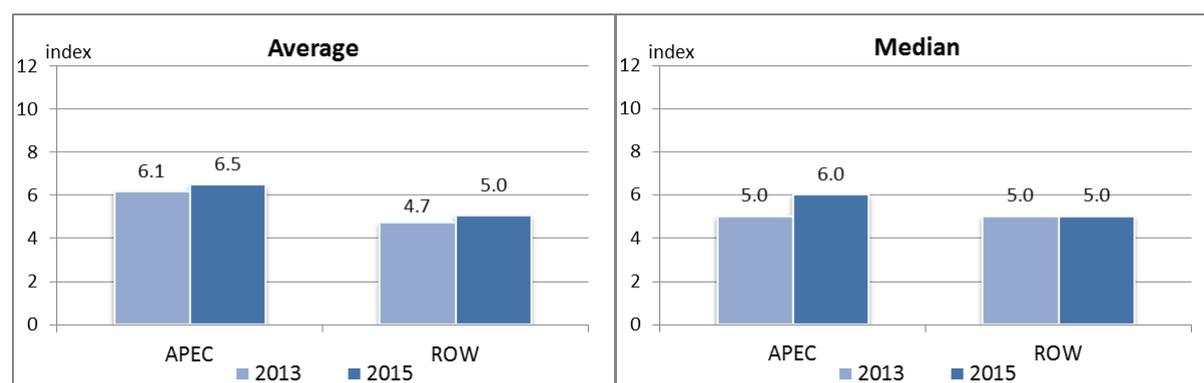
This priority area examines the strength of credit information system and the existence of collateral and bankruptcy laws to facilitate credit transactions and lending activities. Following changes in the World Bank methodology in 2013 to calculate the strength of legal rights and the depth of credit information indices, this section compares the value of these two indicators between 2013 and 2015.

As opposed to other priority areas, for the Getting Credit indicators, higher values represent better performance. For the strength of legal rights index, the value of this indicator ranges from 0 to 10 points until 2012. From 2013 onwards, this indicator takes values from 0 to 12 points. In the case of the depth of credit information index, its range was expanded from the scale of 0-6 points to 0-8 points.

Due to the change in the methodology, the calculation of the improvement rates for these two indicators was made by using two steps. Since the Getting Credit data was available for year 2013, using both the old and the new methodology, the improvement rate between 2009 and 2015 was assumed as the sum of the improvement rate during the period 2009-2013 using the data obtained with the old methodology, and the improvement rate during the period 2013-2015 using the data obtained with the new methodology.

The average value of strength of legal rights index in APEC continued to improve in 2015 with four APEC economies posting higher values in 2015 compared to those in 2013. As shown in Figure 1, APEC reported not just higher values, but also greater improvement than the rest of the world in this indicator when measured by average values. In median terms, APEC also made progress led by solid improvements in Mexico and Russia, whose index values increased by three and two points, respectively. Nevertheless, disparity among APEC economies remains, with a score of three being the lowest and 12 being the highest as of 2015.

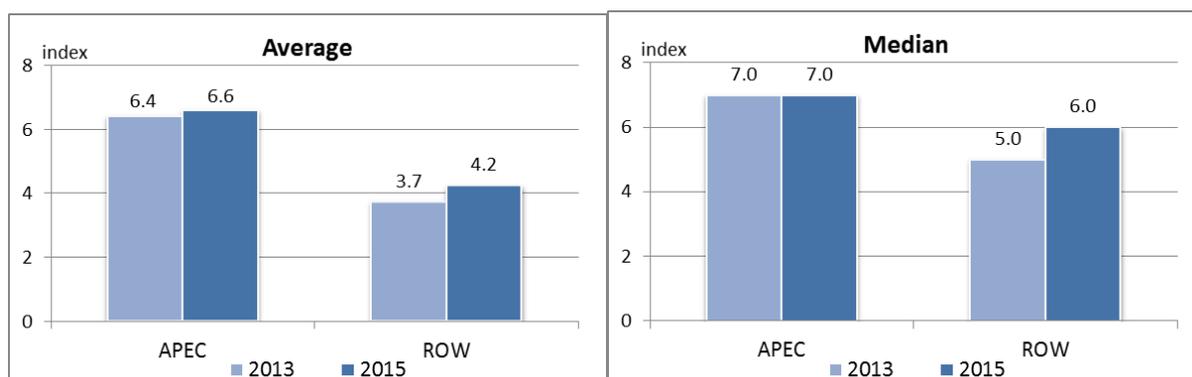
Figure 12: Average and Median Strength of Legal Rights Index for Getting Credit



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

The depth of credit information index tracks the coverage, scope and accessibility of credit information. APEC economies reported higher scores in both average and median values in 2015 in comparison to the rest of the world. APEC's average value on this index rose slightly by 0.2 with four member economies reporting positive progress between 2013 and 2015. The median score of APEC economies remained unchanged during the same period and it is still one point higher than that for the rest of the world.

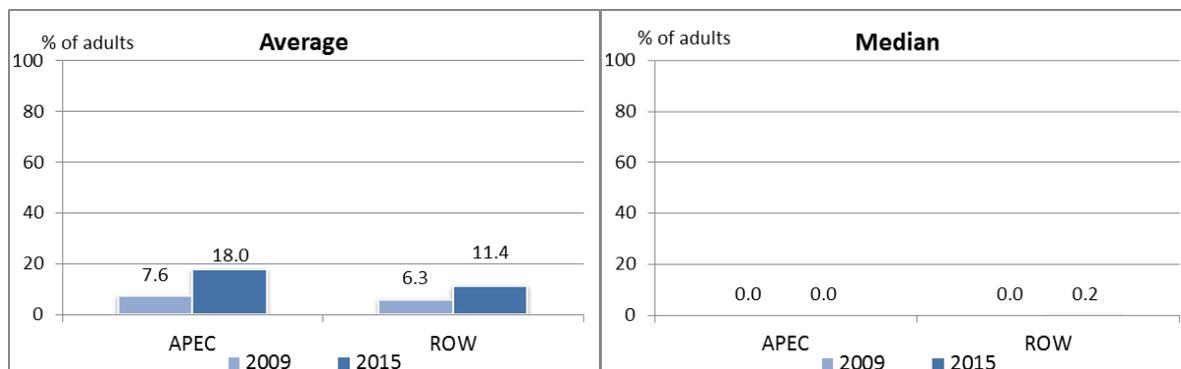
Figure 13: Average and Median Depth of Credit Information Index for Getting Credit



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

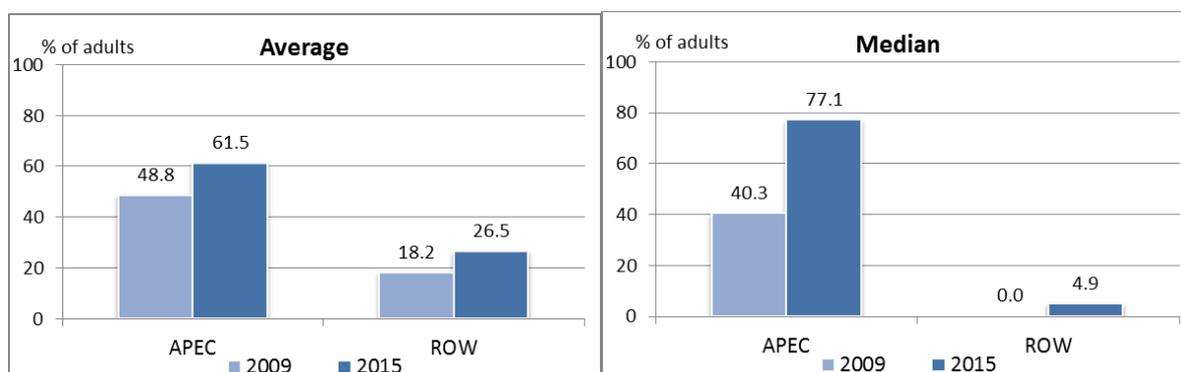
As seen in Figure 14, the average public credit registry coverage in APEC posted reasonable improvement between 2009 and 2015, outpacing the rest of the world. This was led by seven APEC economies, which increased their public credit registry's coverage by an average of 31.3%. However, when measured in median terms, the public credit registry coverage in APEC was still zero in 2015. This is because more than half of APEC economies, more precisely 14 member economies, did not have any public sector body collecting information on the creditworthiness of borrowers as of 2015.

Figure 14: Average and Median Public Credit Registry Coverage for Getting Credit (% of adult population)



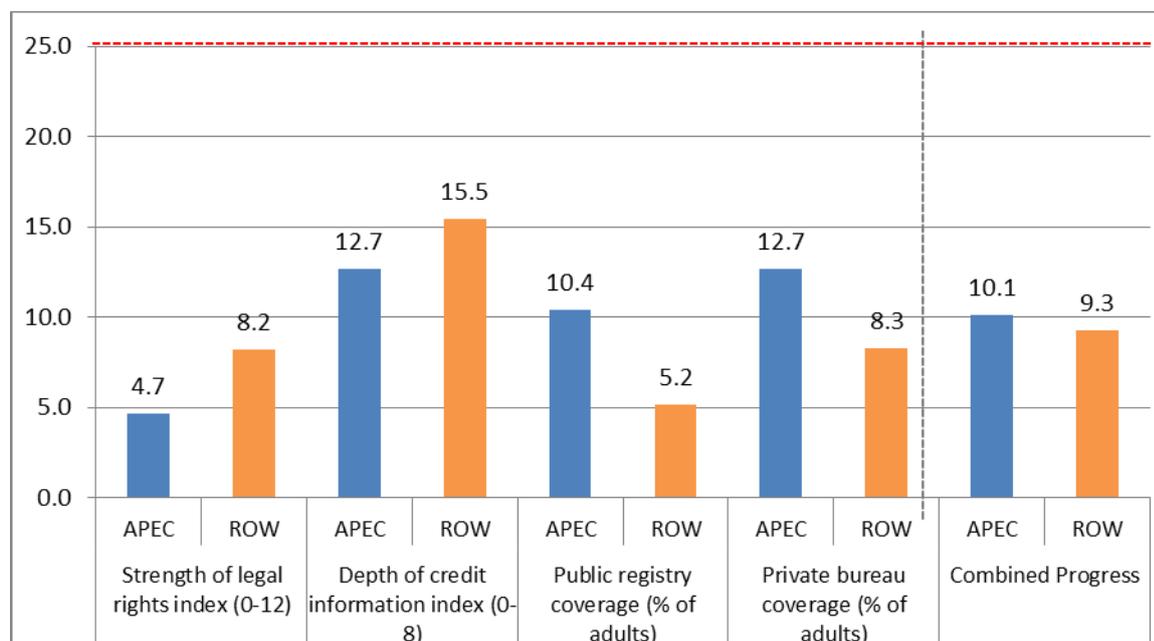
Source: World Bank – Doing Business; APEC Policy Support Unit calculations

APEC economies continued to outperform the rest of the world in expanding the coverage of credit information by private credit bureaus. The robust improvement in median terms suggests that the progress was broadly-based among member economies. Twelve APEC economies increased their coverage between 2009 and 2015, with an average increment close to 25 percentages. Nevertheless, disparity in APEC continued with eight member economies reporting 100 percent coverage and three member economies having no coverage of credit information by private credit bureaus as of 2015.

Figure 15: Average and Median Private Bureau Coverage for Getting Credit (% of adult population)

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

Progress in APEC was slower than the rest of the world in two out of the four Getting Credit indicators, namely the strength of legal rights and depth of credit information indices, but the overall improvement of APEC in this priority area was slightly greater than that of the rest of the world due to APEC economies' outperformance in expanding credit information coverage from both public and private credit bureaus. However, the 10.1 percent overall improvement in this priority area was below the 25 percent improvement target by 2015. In particular, it is not a surprise that the progress in strengthening legal framework is particularly slow, which could be explained for two reasons: 1) sometimes the implementation of changes requires approvals of legislative bills at the Parliament or other higher instances which tends to be lengthy in general; and 2) some APEC economies already have very strong legal rights systems and additional improvements are more difficult to achieve.

Figure 16 : Change in Average Values for Getting Credit Indicators between 2009 and 2015

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

Notes: Improvements are shown with positive values. For the strength of legal rights and depth of credit information indices, changes are measured in percentages. For the indicators measuring the coverage of credit information by public and private credit bureaus, changes are measured in percentage points.

Box 3: Continued Progress in Strengthening the Credit Reporting Systems

APEC economies continued to report progress in this category, especially driven by improvements in expanding credit information in private credit bureaus. Two-thirds of the APEC member economies reported improvements in at least one of the Getting Credit indicators last year.

Mexico implemented a decree which allows a general description of assets to be granted as collateral. This reform, effective in Mexico City and Monterrey, helped to improve access to loans since a broader range of assets could now be used as collateral.

Peru also implemented reforms to improve its credit information system. It published a new law on personal data protection. Data controllers are required to register with the data protection authority and specify relevant information such as the type of data being processed, their policies and procedures and information on the rights of data subjects.

Sources:

- Latinvex; “Doing Business Mexico Best in Latin America”; <http://www.latinvex.com/app/article.aspx?id=2380>
- Peru This Week; “Peru Falls in ‘Doing Business’ World Ranking”; <http://www.peruthisweek.com/news-peru-falls-in-doing-business-world-ranking-107958>
- Charles Russell Speechlys; “Peru Publishes its Data Protection Law”; <http://www.charlesrussellspeechlys.com/insights/latest-insights/commercial-new/peru-publishes-its-data-protection-law/>

Looking at the gap between the 2015 figures and targets for all Getting Credit indicators, it was significant for most of these indicators. This suggests that more effort is required to improve conditions in this priority area in the APEC region. Further capacity-building in this area is advisable for the next stage of the APEC's Ease of Doing Business initiative.

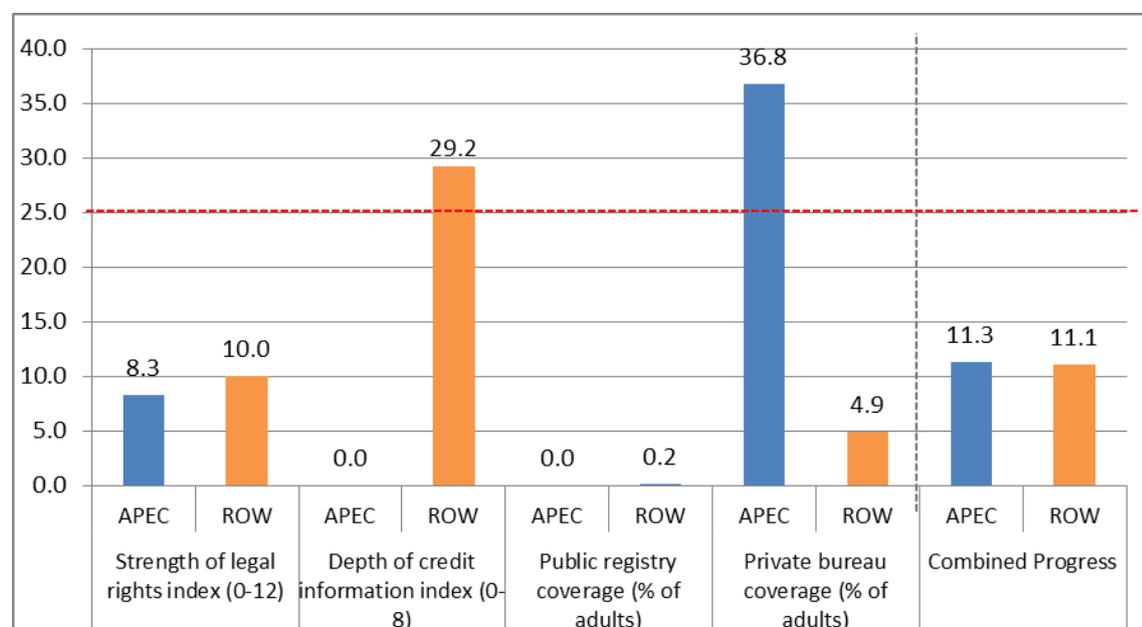
Table 5: Comparison of APEC's Getting Credit Average Indicators with Targets

Mean	Strength of legal rights index (0-12)	Depth of credit information index (0-8)	Public registry coverage (% adults)	Private bureau coverage (% adults)
Current Situation (2015)	6.5	6.6	18.0	61.5
Overall Target (25% Improvement) by 2015	8.9	7.6	32.6	73.8
Gap to Achieve 2015 Target (APEC Region)	2.4	1.0	14.6	12.3

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

APEC's median values in three out of four Getting Credit indicators fell short of the target of 25 percent improvement by 2015. While more than half of the APEC economies posted a higher coverage of credit information via private bureaus in 2015, which helped APEC to improve its median values for this indicator; no improvement in the median coverage of credit information through public registries was recorded, because two-thirds of APEC economies still did not have any public credit registry in operation by 2015.

Figure 17 : Change in Median Values for Getting Credit Indicators between 2009 and 2015 (%)



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

Notes: Improvements are shown with positive values. For the strength of legal rights and depth of credit information indices, changes are measured in percentages. For the indicators measuring the coverage of credit information by public and private credit bureaus, changes are measured in percentage points.

The gap analysis of the Getting Credit indicators' median values show that most of APEC economies have very solid credit information systems, mostly through private credit bureaus, but more efforts are required to improve legal rights in terms of collateral and bankruptcy laws in many APEC economies.

Table 6 : Comparison of APEC's Getting Credit Median Indicators with Targets

Mean	Strength of legal rights index (0-12)	Depth of credit information index (0-8)	Public registry coverage (% adults)	Private bureau coverage (% adults)
Current Situation (2015)	6.0	7.0	0.0	77.1
Overall Target (25% Improvement) by 2015	8.0	8.0	25.0	65.3
Gap to Achieve 2015 Target (APEC Region)	2.0	1.0	25.0	Target Achieved

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

D. TRADING ACROSS BORDERS

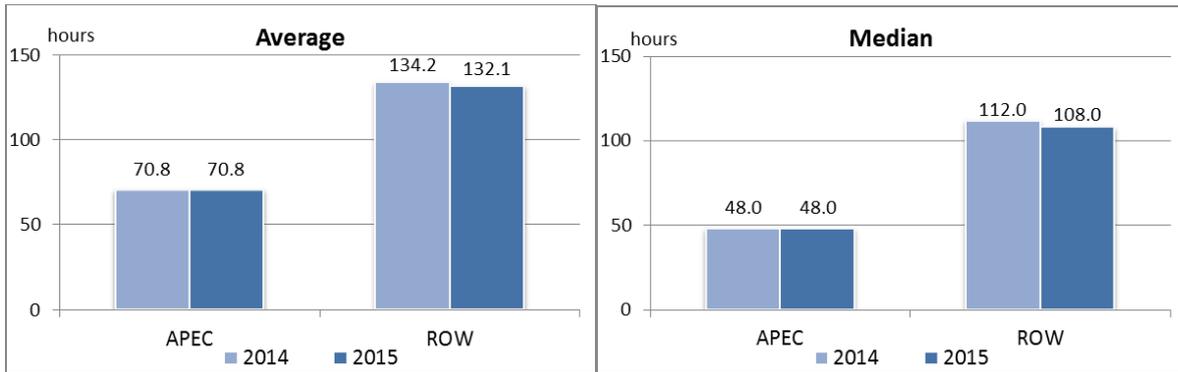
This priority area tracks the time and cost associated with moving goods across borders. There has been a change in World Bank's methodology in 2015. Data on the time and cost are collected and derived from three sets of procedures – documentary compliance, border compliance and domestic transport. The number of documents – one of the three indicators that were included in the old methodology is no longer incorporated in the calculation of the score. This is because the time and cost required for documentary compliance serve as better proxies for the overall complexity of fulfilling documentary requirements. Data on the time and cost for domestic transport are also excluded from the calculation of the score, since they are affected by many other factors besides trade regulations. Also, the old methodology does not have any indicator to measure the time and cost of domestic transport, which prevents calculating the progress by the APEC region regarding this component, associated to the time and cost to trade across borders.

In this assessment, two sets of indicators are used – time and cost of documentary and border compliance and we are assuming that both documentary and border requirements cannot be performed simultaneously, following a similar assumption made with the old methodology. Thus, the time to export/import is the sum of the time to meet export/import border compliance and documentary compliance. Similarly, the cost to export/import is the sum of the cost to meet export/import border compliance and documentary compliance.

Due to the change in the methodology, the calculation of the improvement rates in the average values was made by using two steps. Since the Trading Across Borders data was available for year 2014, using both the old and the new methodology, the improvement rate in the indicators between 2009 and 2015 was assumed as the sum of the improvement rate during the period 2009-2014 using the data obtained with the old methodology, and the improvement rate during the period 2014-2015 using the data calculated with the new methodology.

Using the new methodology, the average and median number of hours required to export remained unchanged in the APEC region between 2014 and 2015. In comparison to the rest of the world, APEC's performance has been outstanding, as the average time to export from APEC was almost one half of the average time taken by rest of the world. Furthermore, 13 member economies required less than 70.8 hours, the APEC average, to export. Likewise, the median time to export from APEC was much lower than that from the rest of the world.

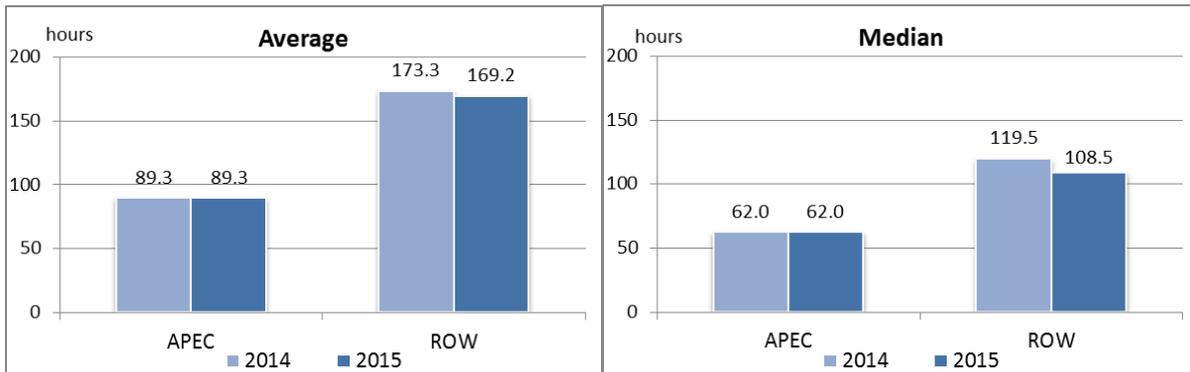
Figure 18 : Average and Median Time to Export for Trading Across Borders



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

Similarly, the average and median number of hours required to import in the APEC region were much lower than those from the rest of the world. For APEC, the average time to import was nearly 80 hours shorter (more than three full days) than that from the rest of the world. The median time to import from APEC was 46.5 hours (nearly two days) shorter than that from the rest of the world.

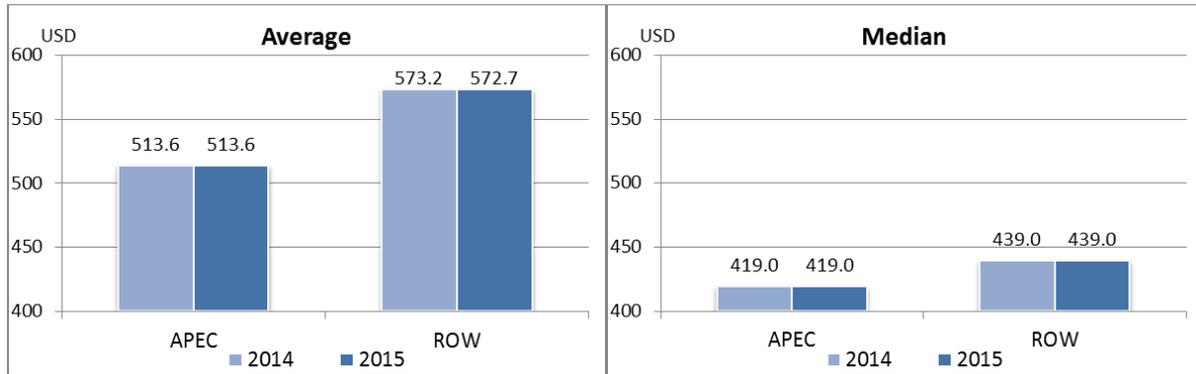
Figure 19: Average and Median Time to Import for Trading Across Borders



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

The cost to export in APEC, measured in U.S. dollars, remained unchanged during 2014 to 2015. The average and median cost to export from APEC were much lower than those from the rest of the world. In fact, 17 APEC economies reported export costs lower than USD 600 in 2015. Also, in comparison to the rest of the world, importing from APEC was on average nearly USD 60 cheaper. APEC's median cost was also USD 20 cheaper.

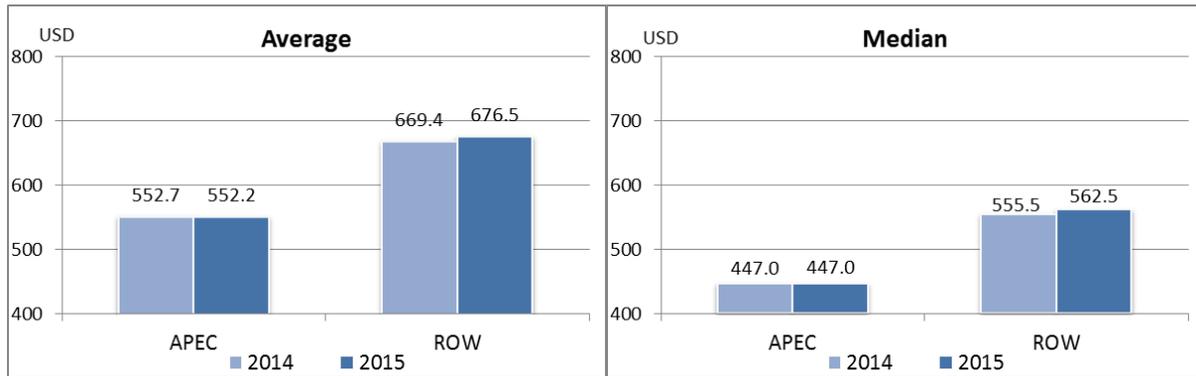
Figure 20: Average and Median Cost to Export for Trading Across Borders



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

The cost to import in APEC was much lower in comparison to the costs in the rest of the world between 2014 and 2015. In 2015, the average and median cost to import in APEC were USD 124 and USD 115 cheaper than those in the rest of the world.

Figure 21 : Average and Median Cost to Import for Trading Across Borders



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

Box 4: Muted Progress in Reducing Time and Costs in Trading Across Borders

Based on the new methodology adopted in 2015, APEC economies did not make much progress in Trading Across Borders indicators last year. Nevertheless, other sources showed some developments in trade facilitation policies improving exporting and importing processes.

Canada continued to modernise its customs procedures by introducing the Advance Commercial Information (ACI) programme, which is set to be implemented in 2015. The programme provides officers with pre-arrival electronic conveyance information and enables officers to undertake risk assessments before the arrival of commercial imports. This is expected to speed up the time required for importing certain goods.

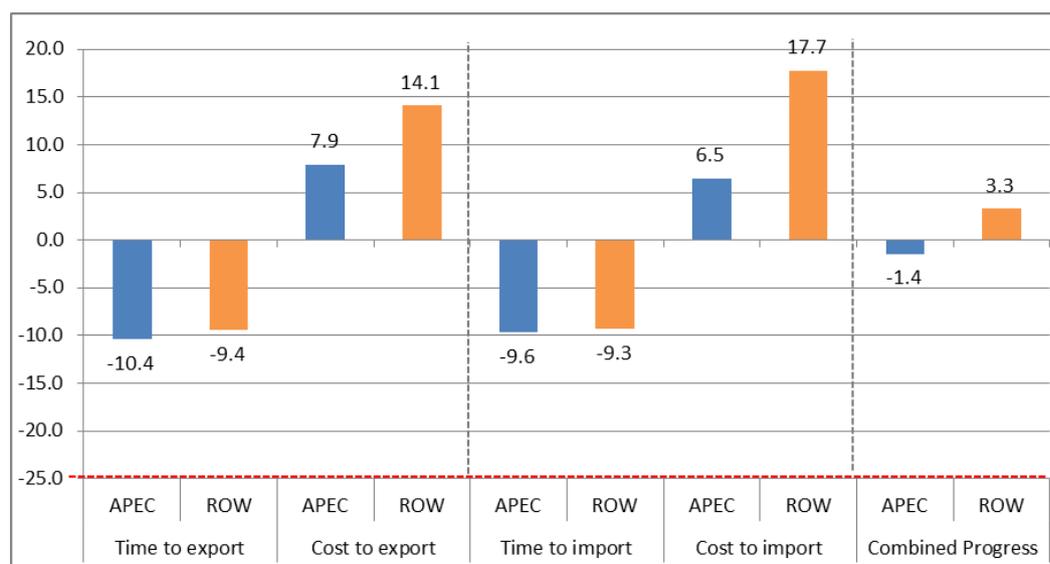
New Zealand's Customs Service and the Ministry for Primary Industries have jointly developed a Border Management System which aims to further streamline customs procedures for goods being traded across borders. New Zealand amended its customs legislation in 2014 to implement this initiative. This development also includes a Trade Single Window and new electronic forms for cargo reporting and transshipment and an enhanced risk management system.

Sources:

- World Trade Organization; "Trade Policy Review: Canada" 27 April 2015; https://www.wto.org/english/tratop_e/tpr_e/s314_e.pdf
- World Trade Organization; "Trade Policy Review: New Zealand" 11 May 2015; https://www.wto.org/english/tratop_e/tpr_e/s316_e.pdf

Between 2009 and 2015, the progress made by the APEC economies in Trading Across Borders was limited – none of the four indicators met the 25 percent overall improvement target by 2015. Despite outperforming the rest of the world, the overall progress of the APEC region was far from the improvement target. Good progress in reducing the time to export/import was offset by increasing costs to export/import in the APEC region.

Figure 22: Change in Average Values for Trading Across Borders Indicators between 2009 and 2015 (%)



Source: World Bank – Doing Business; APEC Policy Support Unit calculations
 Note: Improvements are shown with negative values.

Table 7 shows that the gaps between the average time and cost to export/import in 2015 and the 2015 targets were sizable, especially for the cost to trade. In fact, APEC economies fell short in USD 168.9 and USD 174.1 to reach the goal of reducing the cost to export and import in 25%.

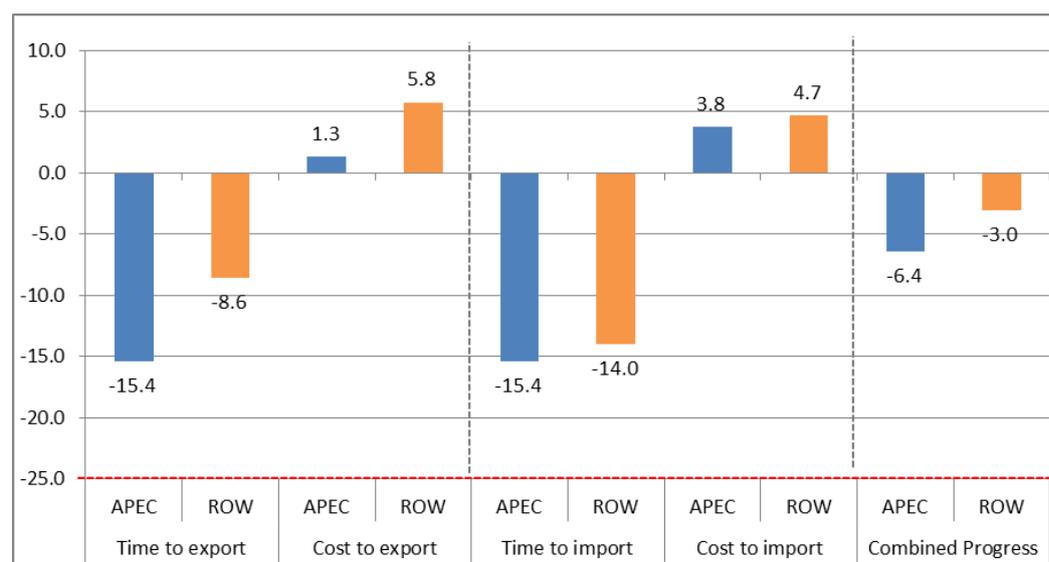
Table 7: Comparison of APEC's Trading Across Borders Average Indicators with 2015 Targets

Mean (Export)	Time (hours)	Cost (USD)
Current Situation (2015)	70.8	513.6
Overall Target (25% Improvement) by 2015	60.5	344.8
Gap to Achieve 2015 Target (APEC Region)	-10.3	-168.9
Mean (Import)	Time (hours)	Cost (USD)
Current Situation (2015)	89.3	552.2
Overall Target (25% Improvement) by 2015	75.6	378.1
Gap to Achieve 2015 Target (APEC Region)	-13.7	-174.1

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

Looking at the median values, APEC's progress on reducing the time to export and import was more pronounced due to broad-based improvements among member economies. However, these improvements in time were still offset by increasing costs to trade. All four median indicators failed to reach the 25 percent improvement target by 2015.

Figure 23: Change in Median Values for Trading Across Borders Indicators between 2009 and 2015 (%)



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

Note: Improvements are shown with negative values.

Table 8 shows that the gap to achieve the 25 percent improvement target based on the median values is wider in the cost to trade, where APEC economies still need to reduce almost one-quarter of their cost in order to achieve the 2015 targets. In terms of the time to trade, the gap was much closer, since APEC only needs to reduce the time to export in less than five hours, and the time to import in less than six hours to reach the 2015 targets.

Table 8: Comparison of APEC's Trading Across Borders Median Indicators with 2015 Targets

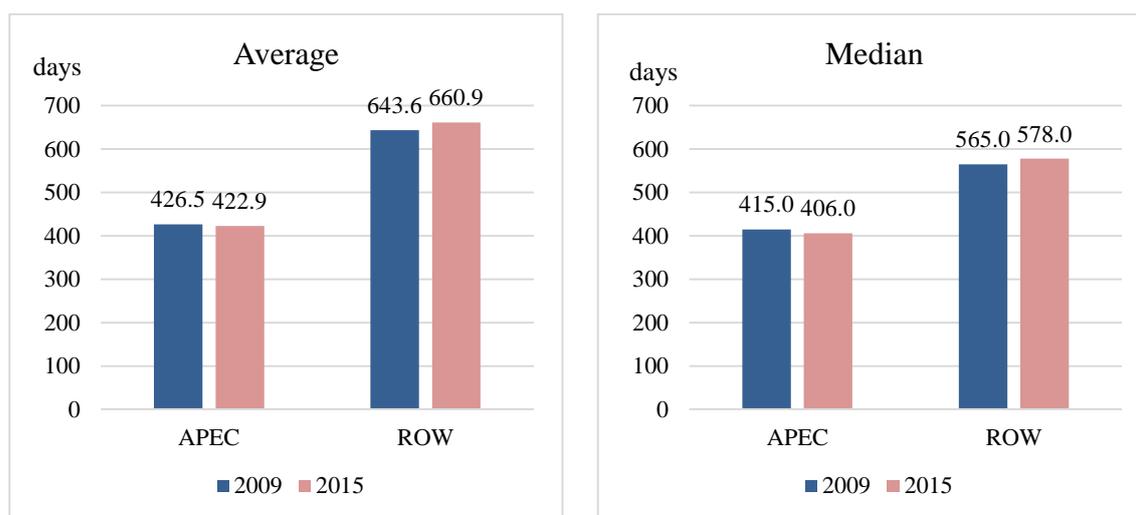
Median (Export)	Time (hours)	Cost (USD)
Current Situation (2014)	48.0	419.0
Overall Target (25% Improvement) by 2015	43.4	308.6
Gap to Achieve 2015 Target (APEC Region)	-4.6	-110.4
Median (Import)	Time (hours)	Cost (USD)
Current Situation (2014)	62.0	447.0
Overall Target (25% Improvement) by 2015	56.0	318.4
Gap to Achieve 2015 Target (APEC Region)	-6.0	-128.6

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

E. ENFORCING CONTRACTS

Between 2009 and 2015, there was a small decrease in the average and median number of days needed to enforce a contract in the APEC region. Although it takes on average 14 months to enforce a contract in the APEC region, APEC as a whole appears to be doing much better than the rest of the world, where it takes nearly 21 months on average. While it became slightly faster in APEC to enforce contracts in this period, the rest of the world moved in the opposite direction (see Figure 24).

Figure 24: Time for Enforcing Contracts



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

The average cost of enforcing contracts as a percentage of claim within APEC increased marginally, while the median cost did not change. In comparison to the rest of the world, APEC performed better between 2009 and 2015.

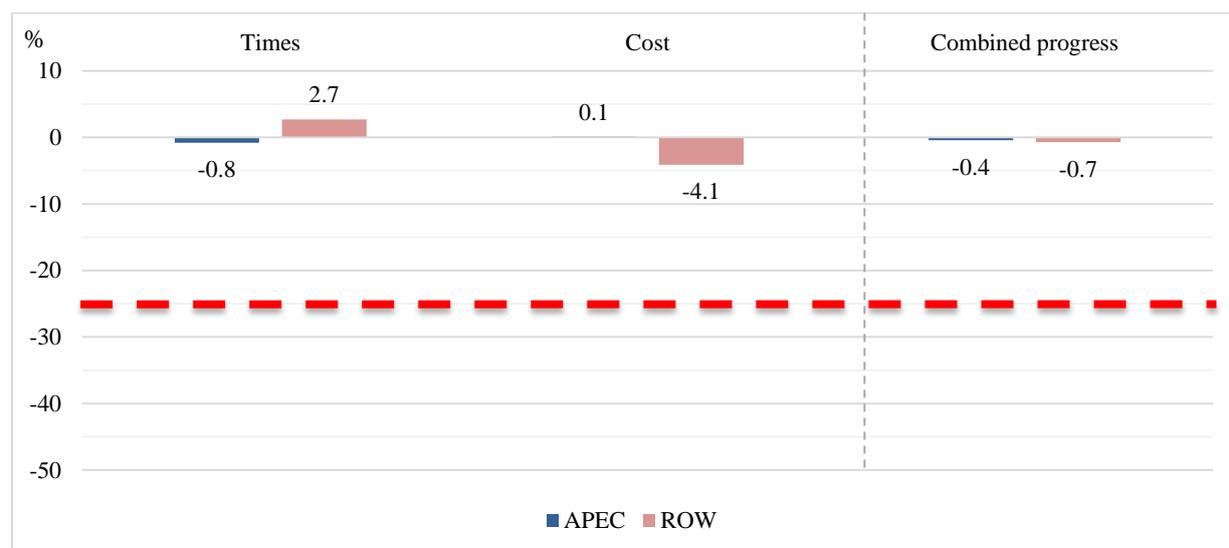
Figure 25: Cost of Enforcing Contracts (% of claim)



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

APEC's progress in this priority area remains slow. The average combined progress of the two Enforcing Contracts indicators was only equivalent to 0.4%, far below the targeted 25% goal. The lack of progress in this priority area could be explained by two main factors: 1). The complexity of introducing reforms in the judiciary system, which usually requires numerous approvals at several government levels (e.g. in Parliament) and 2). Institutional factors that guarantee the independence of the judiciary system could prevent the executive and/or legislative powers from pushing for rapid reforms.

Figure 26: Percentage Change in Average Values for Enforcing Contract Indicators between 2009 and 2015



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

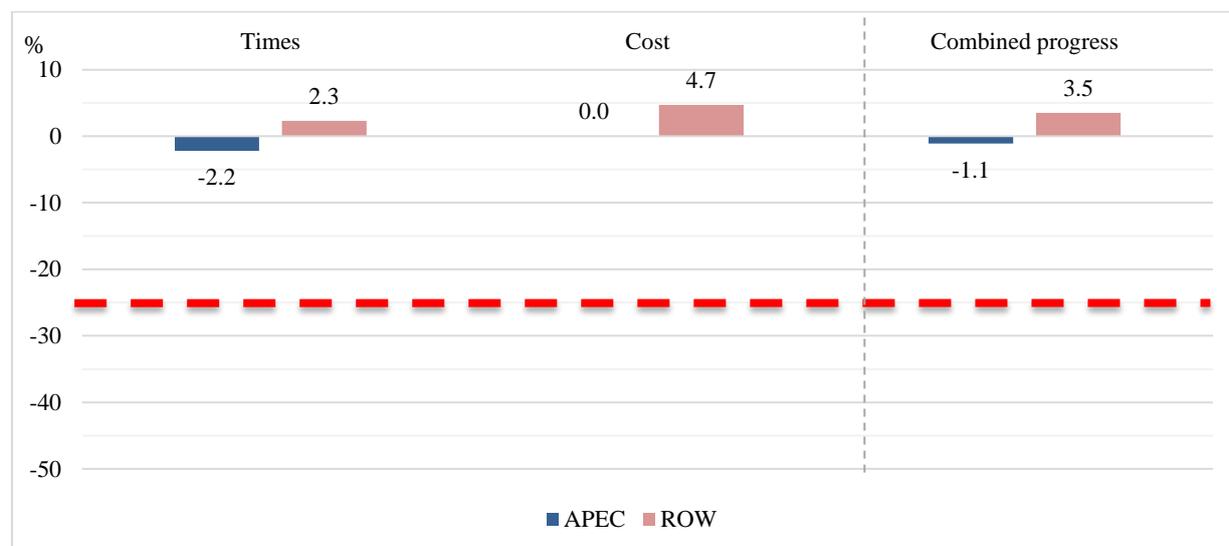
Table 9: Comparison of APEC's Enforcing Contracts Average Indicators with 2015 Targets

Average values	Time (days)	Cost (% of income per capita)
Current situation (2015)	422.9	33.3
Overall Target (25% Improvement)	319.9	25.0
Gap to Achieve 2015 Target	103.0	8.0

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

The median values for the Enforcing Contracts indicator show marginally better progress for the APEC region with a 1.1% improvement rate between 2009 and 2015. The gap towards the 2015 target is still very significant in this priority area.

Figure 27: Percentage Change in Median Values for Enforcing Contract Indicators between 2009 and 2015



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

Table 10: Comparison of APEC's Enforcing Contracts Median Indicators with 2015 Targets

Median values	Time (days)	Cost (% of income per capita)
Current situation (2015)	406.0	25.8
Overall Target (25% Improvement)	311.3	19.4
Gap to Achieve 2015 Target	94.7	6.4

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

Box 5: Limited Progress in Enforcing Contracts

Despite the very limited progress in Enforcing Contracts compared to other EoDB priority areas, some economies such as Russia and Chinese Taipei have made some progress in this area.

Russia moved up in the rankings on the new enforcing contracts index. The Economic Development Ministry attributed this improvement to “applying a project-management approach to addressing a task”. Efforts are related to improvements in the quality of judicial administration, availability of specialized courts, alternative dispute resolution, and judicial case management.

Chinese Taipei developed an e-filing system for the Intellectual Property Court that was implemented in the second half of 2015. The parties involved in a dispute can use the online system to upload legal documents and appeal, amongst other services. This system also increased the level of transparency as defendants and plaintiffs can access the documents while in court.

Sources:

- World Bank; “Business Reforms for Enforcing Contracts”; <http://www.doingbusiness.org/reforms/overview/topic/enforcing-contracts>
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- National Development Council, Executive Yuan; “Report on Taiwan’s Ease of Doing Business Reforms”; 2015.

3. THE EODB SECOND ACTION PLAN

This assessment shows that despite the collective overall progress achieved by the APEC region to facilitate business conditions, there is room for improvement and more work can be done to improve doing business in the priority areas that were selected for the EoDB First Action Plan 2010-2015.

The results in these assessments also coincide with the views of APEC delegates and experts during capacity-building events hosted by the Economic Committee. In those events, participants spoke about their interest to continue work in this area, in order to raise awareness on issues affecting doing business and to learn more about ways to improve business conditions in the APEC region.

Likewise, as mentioned in the 2015 APEC's Ease of Doing Business Interim Assessment 2009-2014, the result of a 2014 survey to capture the views of APEC member economies on the EoDB initiative showed vast support to continue with this initiative and focus on the original five priority areas in the post-2015 work. In addition, the results showed that most economies were inclined to extend the EoDB initiative for three more years after 2015 and include a benchmark collective target of 10% improvement to make it easier, faster and cheaper to do business in the APEC region⁸.

The Second Action Plan 2016-2018 includes the features favoured by APEC member economies following the results of the 2014 survey. This Action Plan complements the Renewed Action Agenda for Structural Reform, launched by APEC in 2015, as part of the efforts to improve the quality of regulations in the APEC region. Capacity-building remains as an important pillar of this Action Plan. These activities will continue including events to promote the exchange of experiences and best practices and understand more the bottlenecks affecting the APEC region. However, the intention is also to emphasize on activities supporting the implementation of reforms, which could be specific to a particular economy or be APEC-wide.

One of the main purposes of the APEC's EoDB initiative is to formalize a space for public discussion in order to identify and promote actions to improve the quality of regulations. The aim is for APEC economies not just to implement reforms with the intention of improving their performance in Doing Business indicators, but also on issues related to the priority areas that may not be directly captured by these indicators. Indicators provide a good snapshot of the situation, but not necessarily cover all regulatory aspects related to a priority area. Reforms in those aspects could also help improving conditions to do business in the APEC region.

⁸ APEC Policy Support Unit (2015), "APEC's Ease of Doing Business – Interim Assessment 2009-2014", p. 32-33.

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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 25 percent improvement by 2015 and 5 percent improvement by 2011, 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 divided by priority areas are the following ones:

- 1) Starting a Business
 - a) Procedures (number)
 - b) Time (days)
 - c) Cost (percentage of income per capita)
 - d) Paid-in Minimum Capital (percentage of income per capita)
- 2) Dealing with Construction Permits
 - a) Procedures (number)
 - b) Time (days)
 - c) Cost (percentage of warehouse value)
- 3) Getting Credit
 - a) Strength of Legal Right Index (from 0 to 12, being 12 the strongest)
 - b) Depth of Credit Information Index (from 0 to 8, being 8 the deepest)
 - c) Public Registry Coverage (percentage of adults)
 - d) Private Bureau Coverage (percentage of adults)
- 4) Trading Across Borders
 - a) Time to Export (days)
 - b) Cost to Export, documentation + border compliance (USD per container)
 - c) Time to Import (days)
 - d) Cost to Import, documentation + border compliance (USD per container)
- 5) Enforcing Contracts
 - a) Time (days)
 - b) Cost (percentage of claim)

To calculate the APEC average values per year in each of the aforementioned indicators, this study utilizes a simple average across APEC member economies. Simple averages provide a transparent and straightforward method to calculate these values. In addition, they are easy to understand and achievements by all APEC members are treated equally. For example, the calculation of the APEC average number of procedures in the Starting a Business priority area is as follows:

$$\text{APEC avg. procedures}_{2015} = (\# \text{ of procedures in Australia}_{2015} + \# \text{ of procedures in Brunei Darussalam}_{2015} + \dots + \# \text{ of procedures in Viet Nam}_{2015}) / \# \text{ of APEC economies}$$

The APEC-wide annual rate of improvement (or decline) in the period 2009-2015 can be calculated by comparing the average value in 2015 with the value obtained in 2009⁹, 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:

$$\text{APEC-wide rate of improvement avg. procedures}_{2009-2015} = \left[\frac{(\text{APEC avg. procedures}_{2015})}{(\text{APEC avg. procedures}_{2009})} - 1 \right] \times 100$$

MEDIAN VALUES

An analysis of the distribution of the data series by region and indicator shows that outliers (extreme values) were present in many of the data series in this report.

The indication of the possible presence of outliers in 2009 and 2015 may provide a distorted picture of APEC and any other region's collective performance in particular indicators if only the average values are taken into account in the analysis. Extreme values in some specific economies in any of those years may have pulled up or down APEC's averages and their improvement rates.

The inclusion of median values in this assessment can provide a more complete picture of APEC's performance. Averages could be complemented with median values for each of the indicators included in the EoDB priority areas.

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 11th position. For example, the following table shows the cost of importing a container in each of the 21 APEC members:

⁹ Except in the case of the Getting Credit and Trading Across Borders indicators

APEC: Time to Start a Business (Year 2015)

Position	Days
1 st	0.5
2 nd	1.5
3 rd	1.5
4 th	2.5
5 th	2.5
6 th	4
7 th	4
8 th	4
9 th	5.5
10 th	6
11 th	10
12 th	10.5
13 th	12
14 th	14
15 th	20
16 th	26
17 th	27.5
18 th	29
19 th	30
20 th	46.5
21 st	53
Average	14.8
Median	10

Source: World Bank – Doing Business

In this example, the average is higher than the median, as the time taken to start a business by the APEC economy in the 21st position pushed up the average value. Only seven APEC members had longer average time to start a business than the APEC's average time equivalent to 14.8 days. On the opposite, APEC's median cost was not affected by the extreme value in the 21st position (53 days), 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 time to start a business is as follows:

APEC median cost to start a business₂₀₁₅ = 11th shortest time by an APEC member to start a business in 2015

APEC median cost to start a business₂₀₀₉ = 11th shortest time by an APEC member to start a business in 2009

The comparison of APEC median values in different years provides another way to measure improvement (or decline) in APEC's priority areas during the period 2009-2015¹⁰. Following the example of the APEC median cost to import, the APEC-wide rate of improvement is:

$$\text{APEC-wide rate of improvement median} = \left[\frac{(\text{APEC median time to start a business}_{2014})}{(\text{APEC median time to start a business}_{2009})} - 1 \right] \times 100$$

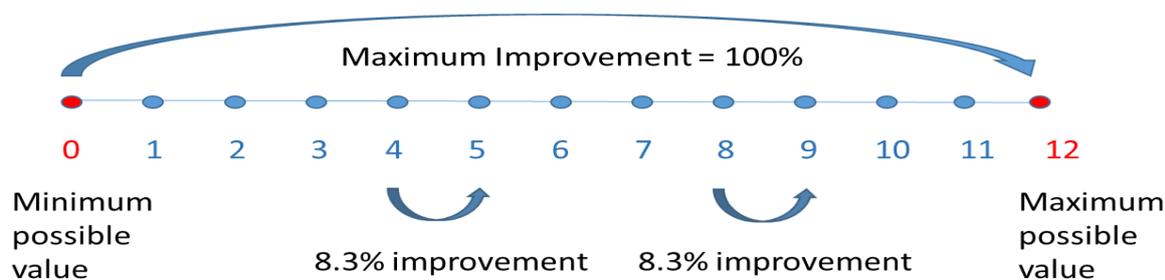
CALCULATION OF THE IMPROVEMENT RATE OF GETTING CREDIT INDICATORS

Unlike indicators in other priority areas, which are continuous in nature and can take unlimited values in theory, Getting Credit indicators are discrete, only taking limited values within an interval. Moreover, a better performance in Getting Credit indicators is reflected by higher values while the remaining EoDB indicators show improvement by lowering scores.

Calculating improvement rates for Getting Credit indices by using a simple percent rate of change may not reflect progress in the most accurate way, as an increase of only one (1) unit in the strength of legal rights index or the depth of credit information index could represent a 25 percent improvement or more in some cases and would not meet the spirit of the EoDB initiative to conduct real reforms to achieve real changes in regulatory matters. For example, if the strength of the strength of legal rights index which ranges from 0 to 12 increases its value from 4 to 5, the simple percent rate of change is going to be equal to 25 percent:

$$\frac{5-4}{4} \times 100\% = 25\%$$

Improving one (1) unit in the strength of legal rights index would only represent an 8.3 percent increase within the range of possible values¹¹.



In this sense, the calculation of the improvement rates for the Getting Credit indicators uses the following formula:

¹⁰ Except in the case of Getting Credit and Trading Across Borders indicators

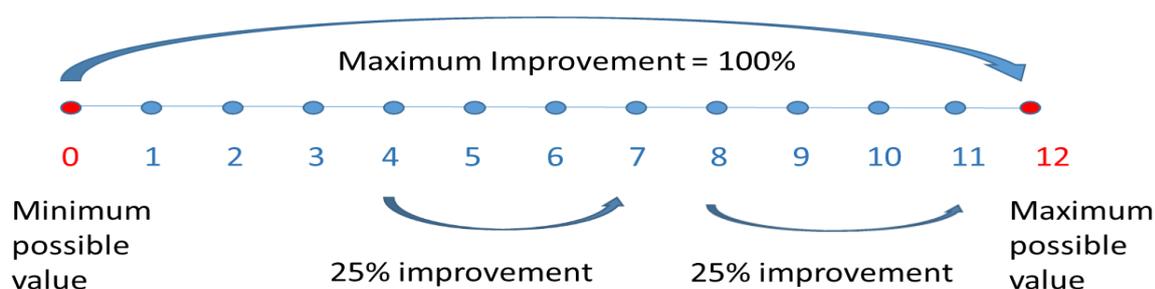
¹¹ The strength of legal rights index can take 13 possible values, ranging from 0 to 12. If an economy with an initial score of 0 reaches later on a score of 12, it will have reached the maximum possible improvement, which could be equivalent to 100 percent. Each time the economy improves in one unit, the improvement is equivalent to $100\% / (12-0) = 8.3333\%$. If a particular economy had a current value of 3, this meant that it had already implemented $8.3333\% \times 3 = 25\%$ of the possible improvements and still had 75% of margin to improve.

In the case of the depth of credit information index, this indicator can take seven possible values from the scale of 0 to 8. Using the same rationale, an improvement by any economy moving from a value of 0 to 8, would represent a maximum possible improvement of 100 percent. A one unit improvement in this indicator would be equal to $100\% / (8-0) = 12.5\%$.

$$\Delta X_{\text{period from } n \text{ to } m} = \frac{X_{\text{year } m} - X_{\text{year } n}}{\text{Maximum possible value} - \text{Minimum possible value}} \times 100\%$$

Instead, if the value of the strength of legal rights index increases in 3 units (e.g. from 4 to 7 or from 8 to 11), the improvement would represent 25 percent increase within the range of possible values:

$$\frac{7 - 4}{12 - 0} \times 100\% = 25\%$$



Another complication in the calculation of the improvement rates for the two Getting Credit indices is the fact that their ranges were modified to include the evaluation of additional criteria to measure the strength of legal rights and the depth of credit information systems. In 2014, the World Bank published the new methodology in which the range of the strength of legal rights index was expanded from 0 – 10 to 0-12 points, and the range of the depth of credit information index went from 0 – 6 to 0 – 8 points¹². The data reflecting the new ranges is available from 2013 onwards.

Since data collected by using two different methodologies are not strictly comparable, the calculation of improvement rates for the aforementioned indices cannot be measured by comparing their 2009 values with those from 2015. In order to calculate the improvement rates, they were calculated by creating a proxy improvement rate, using data for the year 2013 as reference, noting that 2013 data is available for both the new and old methodologies. The following steps were used in the calculation of the improvement rate for the period 2009-2015:

- 1) Using data obtained with the old methodology, improvement rates for the period 2009-2013 were calculated
- 2) Using data obtained with the new methodology, improvement rates for the period 2013-2015 were calculated
- 3) The improvement rates for the period 2009-2015 is equivalent of the sum of the improvement rate for the period 2009-2013 plus the improvement rate for the period 2013-2015.

The Getting Credit priority area also includes indicators measuring the percentage of the adult population with their credit information available in public or private credit bureaus. In those cases, the indicators could take any value ranging from 0 to 100 percent of the adult population. Similarly, using a simple percent rate of change would not give a very accurate indication of the progress in these indicators. For example, suppose that the percentage of the adult population with their credit information available at public credit bureaus in an APEC economy

¹² World Bank (2014), “Doing Business 2015 – Going Beyond Efficiency”, p. 30-31.

was equivalent to 12 percent in the base year and it increased to 15 percent by 2015, using the simple percent rate of change, that APEC economy would already meet the 25 percent improvement target by just improving by 3 percent points:

$$\frac{15-12}{12} \times 100\% = 25\%$$

Again, the intention in the EoDB initiative is to encourage APEC economies to reform in order to have substantial changes in the business environment, including in areas such as Getting Credit. A 3 percent improvement in the percentage of adult population with information in credit bureaus is a very modest achievement. Instead, it is much more significant if the improvement is in 25 percent points¹³. Using the new formula and the previous example, it means this APEC economy would need to increase the coverage of the adult population from 12 percent to 37 percent in order to meet the 25 percent improvement target.

$$\frac{X_{2015\%}-12\%}{100\%-0\%} \times 100\% = 25\% ; X_{2015} = 37\%$$

CALCULATION OF THE IMPROVEMENT RATE OF TRADING ACROSS BORDERS INDICATORS

As mentioned in the introduction, some changes in the methodology to obtain the time and cost to trade across borders were introduced by the World Bank in 2015¹⁴. The number of documents to export/import is not included anymore in the Doing Business database and the time and cost to export/import is comprised by two components: the documentation compliance and the border compliance to export/import. The data available using this new methodology is available from 2014 onwards.

To calculate the improvement rate in this area during the period 2009-2015, two challenges appear. The first concern is related to the way that the time and cost to export/import have been split in two categories with the use of the new methodology. This has been solved by adding the two components into just one indicator of time and one indicator of cost to export/import, making the assumption that no step can be done simultaneously, as it was the case when obtaining the time and cost to export/import with the old methodology.

The second concern is about the use of two different methodologies to calculate the time and cost to export/import during the period 2009-2015. Fortunately, Trading Across Borders data constructed by using the old and new methodologies are available for year 2014. The data for year 2014 is used as a reference to calculate a proxy improvement rate by adding the improvement rate for the period 2009-2014 by using data obtained with the old methodology to the improvement rate for the period 2014-2015 by using the data constructed with the new methodology.

¹³ In this case, the indicator can take any value ranging from 0 to 100 percent. In this sense, an economy with no credit information bureaus will obtain a value of zero. If this economy subsequently implements a credit information bureau and incorporates the credit information history of its entire adult population, this indicator would take a value 100 percent and would mean that it has achieved the maximum possible achievement of 100 percent.

¹⁴ World Bank (2015), "Doing Business 2016 – Measuring Regulatory Quality and Efficiency", p. 32-33.

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 (for instance: numbers, days, percentage of income per capita), 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, to obtain the APEC-wide rate of improvement in the Starting a Business priority area in the period 2009-2015, this can be done by using the rates of improvement (or decline) of the averages in each of the four indicators belonging to this priority area:

$$\text{APEC-wide rate of improvement Starting a Business 2009-2015} = \frac{(\text{APEC-wide rate of improvement avg. procedures}_{2009-2015} + \text{APEC-wide rate of improvement avg. time}_{2009-2015} + \text{APEC-wide rate of improvement avg. cost}_{2009-2015} + \text{APEC-wide rate of improvement avg. paid-in minimum capital}_{2009-2015})}{\# \text{ of indicators}}$$

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 rate of improvement in the Starting a Business priority area can be obtained by using the rates of improvement (or decline) of APEC median values in each of the four indicators that are part of this priority area:

$$\text{APEC-wide rate of improvement Starting a Business 2009-2015} = \frac{(\text{APEC-wide rate of improvement median procedures}_{2009-2015} + \text{APEC-wide rate of improvement median time}_{2009-2015} + \text{APEC-wide rate of improvement median cost}_{2009-2015} + \text{APEC-wide rate of improvement median paid-in minimum capital}_{2009-2015})}{\# \text{ of indicators}}$$

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 sub-section 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:

$$\text{APEC-wide rate of improvement EoDB 2009-2015} = \frac{(\text{APEC-wide rate of improvement Starting a Business}_{2009-2015} + \text{APEC-wide rate of improvement Dealing with Construction Permits}_{2009-2015} + \text{APEC-wide rate of improvement Getting Credit}_{2009-2015} + \text{APEC-wide rate of improvement Trading Across Borders}_{2009-2015} + \text{APEC-wide rate of improvement Enforcing Contracts}_{2009-2015})}{\# \text{ of priority areas}}$$

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 was to reach an APEC-wide improvement of 25 percent by 2015. 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 important¹⁵.

¹⁵ 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.