



**Asia-Pacific
Economic Cooperation**

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

APEC's Ease of Doing Business – Interim Assessment 2015-2017

APEC Policy Support Unit

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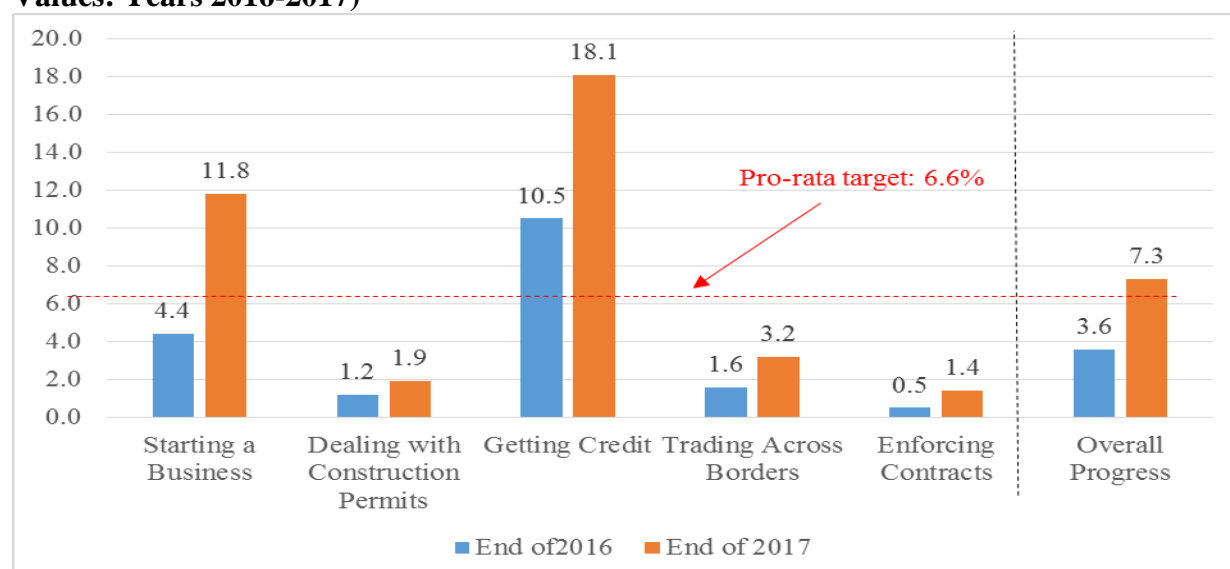
EXECUTIVE SUMMARY

This report shows the interim assessment of the APEC's Ease of Doing Business (EoDB) Second Action Plan 2016-2018 by taking into account the 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 the baseline year, the interim assessment compares the figures obtained by the APEC region in the baseline year and 2017 to examine whether APEC's combined performance is on track to meet the overall target of 10% improvement across priority areas for the period 2016-2018.

Looking at the average values recorded by the APEC region, the combined progress for the period 2016-2017 was equal to 7.3%, above the pro-rata target of 6.6%. While the greatest progress was achieved in the priority area of Getting Credit (18.1%), followed by Starting a Business (11.8%); all other areas also reported progress during the aforementioned period.

APEC: Accumulated Overall Progress in the Ease of Doing Business Initiative (Average Values: Years 2016-2017)



Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2018 database.

Regarding Getting Credit, significant progress was achieved in the strength of legal rights and the depth of credit information systems. In fact, the average share of adults in the APEC region with their credit information in public registries or private bureaus went up from 74.3% to 77.4% in two years. APEC also showed important progress in Starting a Business: average time fell by nearly three days, and only one APEC member still requires a paid-in minimum capital as a condition to start a business.

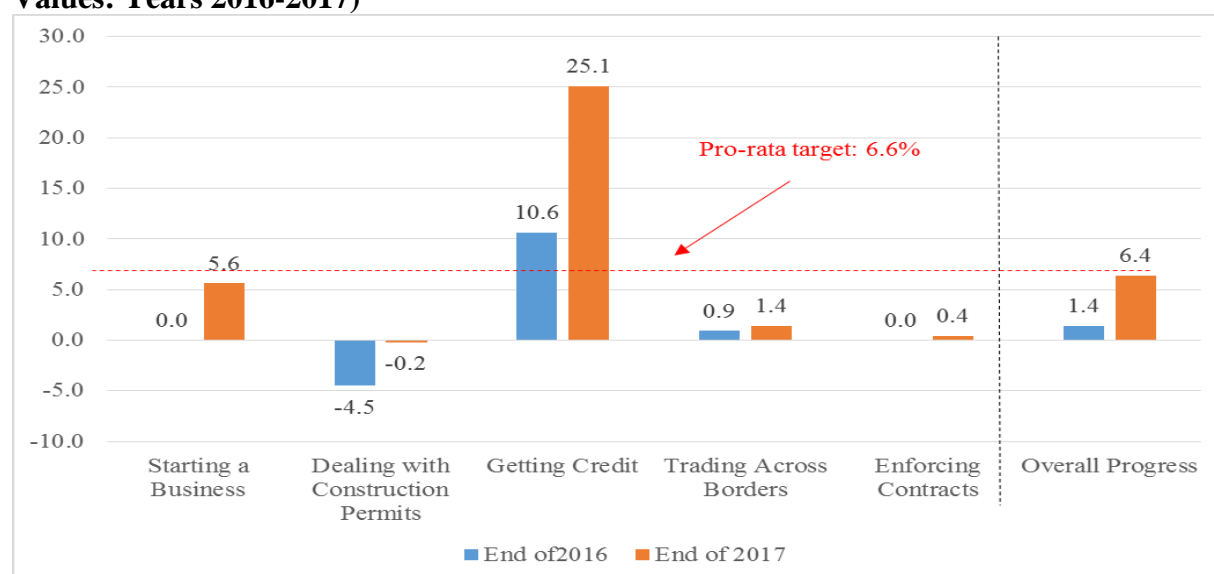
With regards to Trading Across Borders, most of the progress was related to the time to trade. The average time for exports went down from 70.2 to 65.6 hours and the time for imports did the same from 89.3 to 85.5 hours. As for Dealing with Construction Permits, most of the indicators reported improvements, such as the average time going down by one day and the average cost of obtaining a permit being reduced by 0.5% of the warehouse value. In terms of

Enforcing Contracts, most of the growth was related to improvements in the quality of judicial processes.

This interim assessment also analyzed the performance of APEC's median values in the EoDB indicators corresponding to the five priority areas. They reported a collective improvement of 6.4% for the period 2016-2017, very close to the 6.6% pro-rata target. Most of the median values progress was explained by positive changes in Getting Credit (25.1%). Improvements in Starting a Business were significant during the second year of the current EoDB Action Plan (5.6%), noting that APEC had reported no progress in its median values in this area.

On the contrary, APEC has experienced scant progress in its median Trading Across Borders and Enforcing Contracts indicators so far. Similarly, APEC has not been able to fully reverse the deterioration of the median of its Dealing with Construction Permits indicators that took place in 2016, the first year of the Second EoDB Action Plan.

APEC: Accumulated Overall Progress in the Ease of Doing Business Initiative (Median Values: Years 2016-2017)



Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2018 database.

After two years, APEC is getting closer to the 10% improvement target by 2018. Nevertheless, APEC still needs to intensify its efforts in all areas, since the current combined overall progress is mostly explained by two priority areas (Getting Credit and Starting a Business). In addition, the lower progress measured by APEC's median indicators is an indication that APEC's progress has been explained by few APEC economies in most of the priority areas.

In this sense, APEC should continue emphasizing capacity-building activities aiming to close the gaps across economies, as well as prioritizing efforts in those priority areas that have experienced limited or no progress so far. APEC economies could benefit significantly from those activities by learning from good practices and successful experiences. These activities could also assist governments to raise awareness about certain issues and find ways to resolve problems. In fact, policymakers could get inspired from the exchange of information and discussions with other participants to implement policies with a view of making doing business easier, faster and cheaper.

Finally, while remarkable progress has been achieved, there is still room for improvement in the region. As APEC nears the end of the Second EoDB Action Plan, it is worthwhile that member economies start discussing the future of this initiative. This includes the possibility of extending it beyond 2018, or introducing any new initiative to improve the business environment, taking into account the efforts by APEC economies to implement the Renewed APEC Agenda on Structural Reform (RAASR) and at the same time, building up from the lessons learned during the implementation of the two EoDB Action Plans.

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 2009, with the goal of improving the business environment in the APEC region through regulatory reforms to make it cheaper, faster and easier to do business¹.

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 has been implementing a series of activities, such as capacity-building events, diagnostic studies, advisory services and guided visits, with the support of champion economies in each priority area.

The current champion economies for the Second APEC's EoDB Action Plan are:

- 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

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 2009-2015, the progress achieved during that period cannot be negated as the business conditions in the region have improved since then. Currently, it is cheaper, faster and easier to do business than prior to the first Action Plan, and this has benefitted 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"².

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 focuses on the same priority areas and emphasizes the need for capacity-building activities tailored to address the main challenges faced by economies when implementing reforms. APEC-wide workshops where APEC economies share experiences, best practices and lessons learned are also considered for this Second APEC's EoDB Action Plan.

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

² 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 is a collective 10% improvement across the five priority areas. The assessment will use the results in year 2015 as baseline to calculate the progress achieved by APEC on an annual basis.

The selection of this quantitative target took into account several factors. First, for credibility reasons, it was important to set a target that was neither overambitious nor unimpressive. Second, based on the progress obtained during the First APEC's EoDB Action Plan, it was difficult for economies to improve 5% every year in order to meet the 25% improvement target rate for the period 2010-2015. The more the progress achieved in a year, the more difficult it is to make further improvements. Third, 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"³.

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 as a suitable target for APEC member economies.

This report assesses the collective progress of the APEC region for the first two years of the Second APEC's EoDB Action Plan. The current progress is compared with pro-rata improvement target of 6.6%, in order to determine whether APEC is on track to achieve the 10% improvement target by the end of 2018.

C. MEASUREMENT APPROACH

In terms of the methodology to calculate the progress within the APEC region, the report calculated the APEC average annual values for each of the EoDB priority areas' indicators. Averages for year 2017 were compared against those of the baseline year 2015 to calculate improvement rates for each indicator. In each priority area, a combined improvement rate is calculated by a simple average of the improvement rates of indicators belonging to that priority area. The combined improvement rates for the five priority areas are simple averaged in order to obtain the overall progress by the APEC region in the EoDB initiative for year 2017.

The assessment also includes median values for a more comprehensive assessment. The calculation of progress by comparing APEC's median values is similar to the process explained in the previous paragraph. As explained 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"⁴

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

⁴ Ibid, p. 6.

The assessment of the Second EoDB Action Plan includes some methodological changes in comparison to that for the Final Assessment of the First APEC's EoDB Action Plan conducted last year, 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, the 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. The reason is that this requirement has already been abolished in all APEC economies except one in 2017.

The priority areas concerning Dealing with Construction Permits and Enforcing Contracts include new indicators⁵ 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 2017. The distance to frontier reflects the difference between the index's score and the maximum possible score if an economy incorporates all the aforementioned features in its regulatory framework.

The Getting Credit priority area includes two indices: strength of legal rights and depth of credit information, whose progress is calculated by using the distance to frontier. 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 previous assessment of EoDB included instead two separate indicators, one regarding public credit registries and the other on private credit bureaus.

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

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

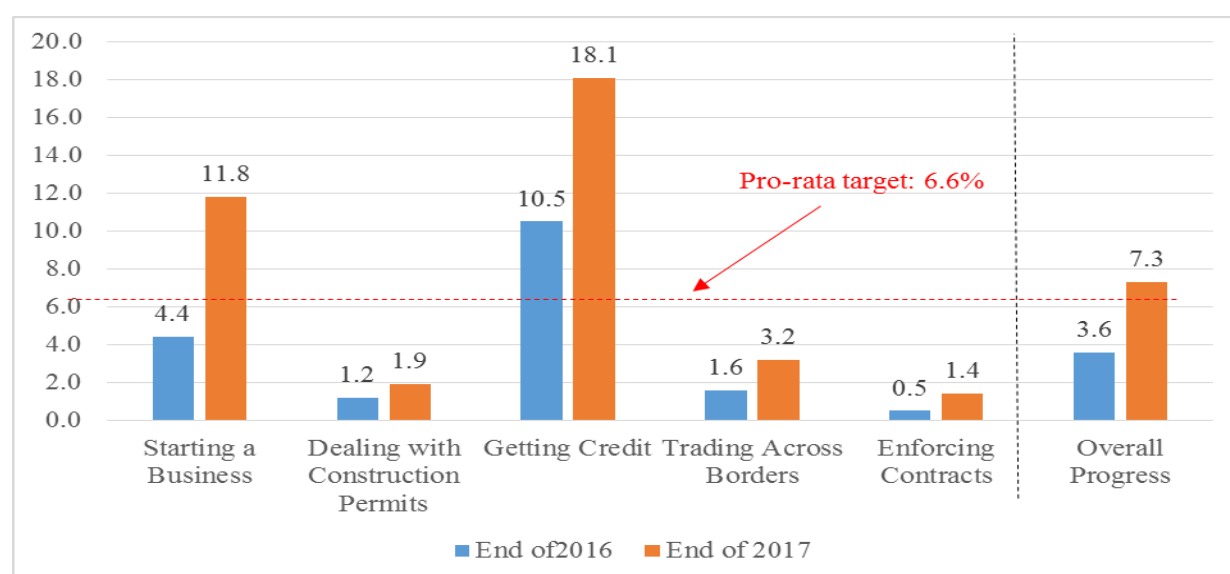
2. APEC'S OVERALL PERFORMANCE

Using the methodology explained in Chapter 1 and the Appendix, the interim assessment compares the performance by the APEC region as a whole during the baseline year (2015) and the most recent year with data available (2017) to analyze whether APEC is on track to meet the overall target of 10% improvement for the period 2016-2018.

The current assessment measures the progress of the period 2016-2017 and compares the current improvement rate with the pro-rata improvement target of 6.6%, corresponding to the first two years of the APEC's EoDB Second Action Plan.

When examining APEC's average values, the combined progress was equivalent to 7.3%, above the pro-rata target. However, this result is explained by significant improvements in two priority areas: Getting Credit (18.1%) and Starting a Business (11.8%). In the case of Getting Credit, progress was mostly explained by stronger legal rights and credit information systems covering data for a greater percentage of the adult population. Starting a Business in APEC improved mostly because of the reduction in time and cost.

Figure 1: APEC Accumulated Overall Progress in the Ease of Doing Business Initiative (Average Values: Years 2016-2017)



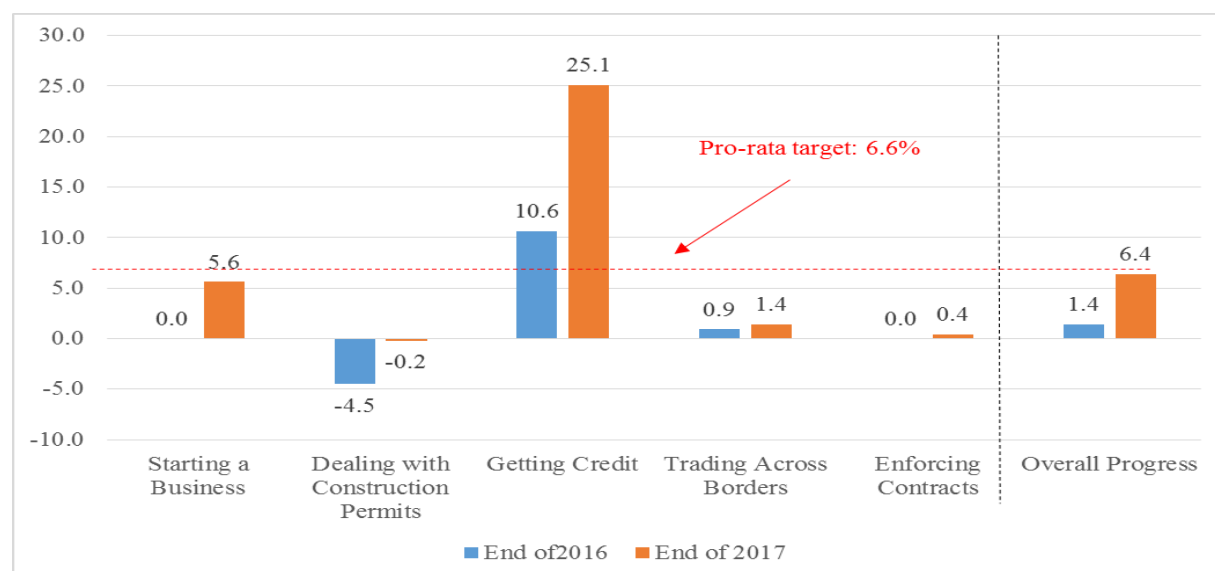
Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2018 database.

APEC also improved its average indicators in the other three priority areas, albeit their progress was below the pro-rata improvement rate. As for Trading Across Borders (3.2%), most of the positive changes were explained by the time to trade. Also, business conditions for exports improved more than those for imports. For Dealing with Construction Permits (1.9%), some minor progress was reported in the average time and cost to obtain a permit. In terms of Enforcing Contracts, while the progress in this area only reached 1.4%, it was significantly higher than that achieved during the APEC's EoDB First Action Plan between 2010 and 2015, as the current analysis incorporates improvements in the quality of judicial processes.

When analyzing APEC's median in the indicators corresponding to the five priority areas, APEC's performance show a collective improvement of 6.4% for the period 2016-2017, barely

missing the 6.6% pro-rata target. Similar to the evolution of APEC's average values, most of the median values progress was explained by positive changes in Getting Credit (25.1%), followed by improvements in Starting a Business (5.6%).

Figure 2: APEC's Accumulated Overall Progress in the Ease of Doing Business Initiative (Median Values: Years 2016-2017)



Source: APEC Secretariat, Policy Support Unit calculations using data from the World Bank, Doing Business 2018 database.

On the contrary, scant progress was achieved in the median indicators corresponding to Trading Across Borders (1.4%) and Enforcing Contracts (0.4%). The collective performance of the Dealing with Construction Permits median indicators was negative (-0.2%), due to the deterioration of the median time to obtain a permit.

Whilst APEC is getting closer to the 10% improvement target by 2018, more work still needs to be done. It is important for APEC to intensify its efforts in all priority areas, in particular in those which their progress has been so far below the pro-rata target.

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

3. APEC'S IMPROVEMENTS BY PRIORITY AREAS

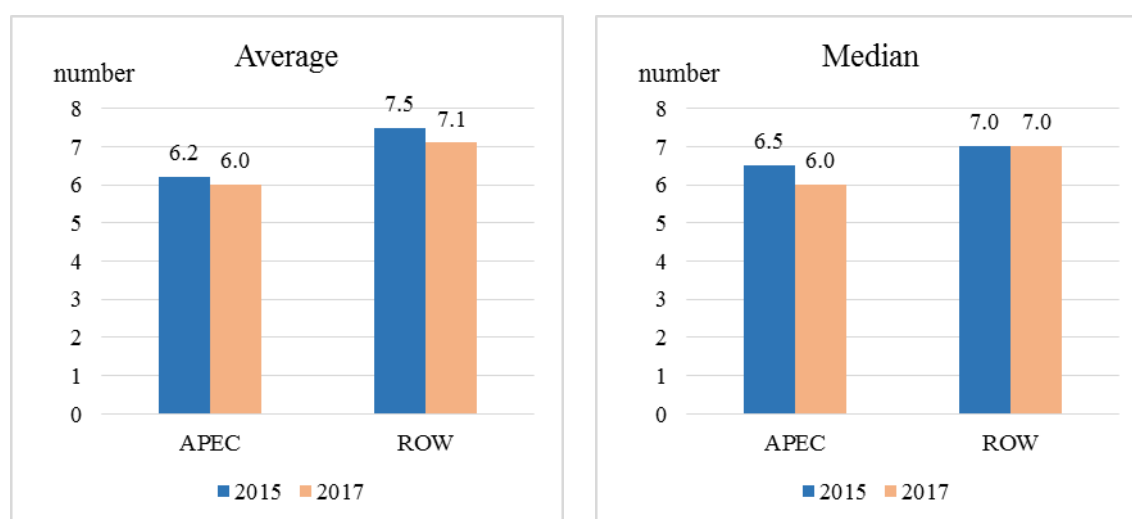
A. STARTING A BUSINESS

The Starting a Business priority area measures the number of procedures, time and cost for an entrepreneur to start up and formally operate an industrial or commercial business. This includes obtaining all necessary approvals, licenses, permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The cost in terms of paid-in minimum capital has been left out from this report due to the fact that only one APEC economy had this requirement in 2017⁶. Consequently, there is not much room left for meaningful improvement in APEC, as any progress would be contingent solely on that economy.

The average combined progress of Starting a Business indicators achieved substantial progress, surpassing both the pro-rata and overall 10% target for 2018. However, median values narrowly fell short of the pro-rata target, due to the lack of progress in the time required to start a business.

The average and median number of procedures required to start a business in APEC remains lower than the rest of the world in 2017 (Figure 3). Encouragingly, the median number of procedures fell in APEC between 2015 and 2017, whereas they remained constant in the rest of the world. Likewise, the average number of procedures also fell.

Figure 3: Average and Median Number of Procedures Required to Start a Business



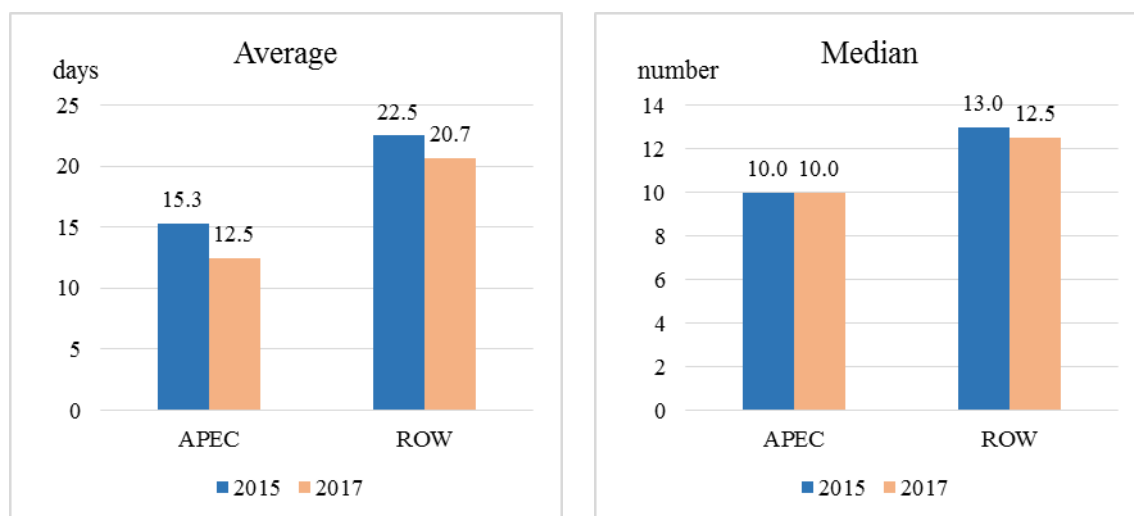
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Average and median times required to start a business in APEC remain lower than the rest of the world in 2017 by 8.2 days and 2.5 days respectively (Figure 4). Furthermore, improvements in average time have also outpaced the rest of the world. Strong reductions by Thailand (25 days) and Indonesia (24.7 days) in particular contributed to this improvement. However, the median values for APEC economies remained constant between 2015 and 2017. There were

⁶ The economy had a paid-in minimum capital requirement of 3% of income per capita in 2017, a reduction from 3.3% in 2015. The average for the rest of the world in 2017 was 13.3%, while the median was 0%.

also large variations amongst APEC economies, with the time required to start a business ranging between 0.5 days to 41 days.

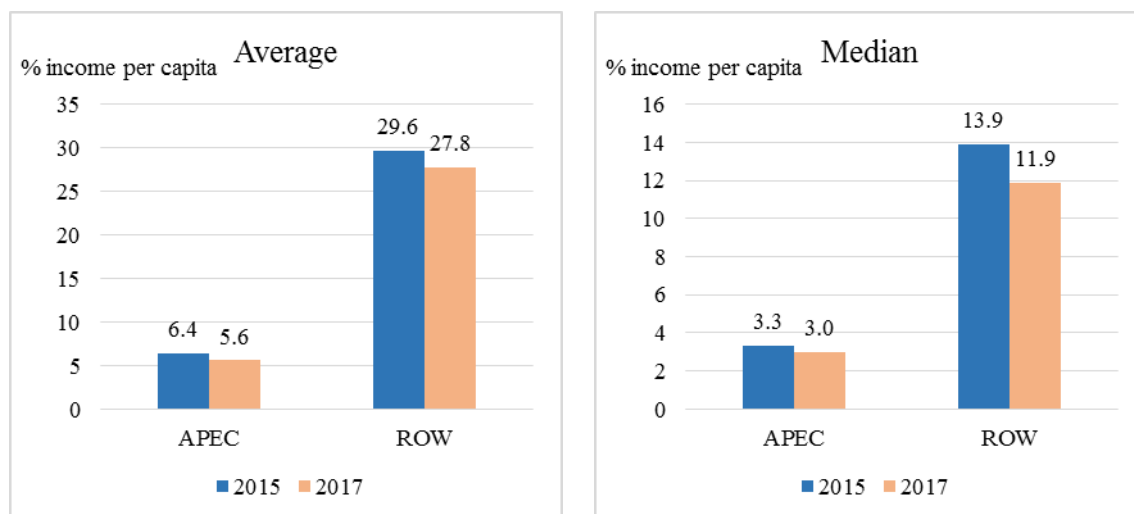
Figure 4: Average and Median Time in Days Required to Start a Business



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

Compared to the rest of the world, there are significantly lower costs to starting a business in the APEC region (Figure 5). Average costs in APEC are a fifth of the rest of the world's, while median costs in the region are a quarter in 2017. There has also been a reduction of average and median costs between 2015 and 2017, due to improvement across 13 APEC economies. This is a considerable achievement as 20 APEC economies already have costs below 15% of income per capita in 2017.

Figure 5: Average and Median Cost (% of income per capita) to Start a Business

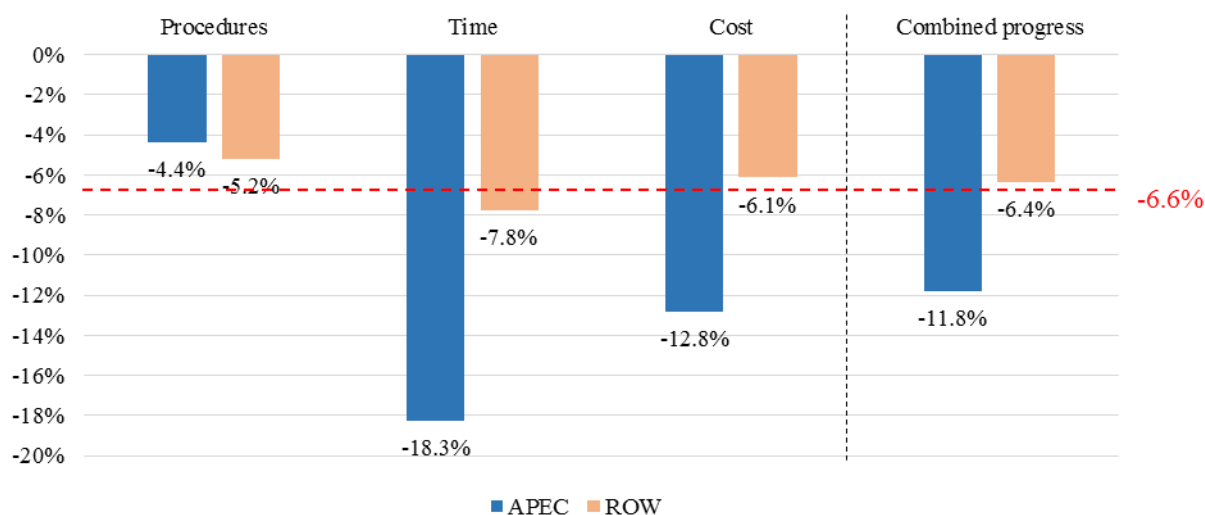


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Average improvements by APEC economies in this priority area have far surpassed the 6.6% pro-rata target (Figure 6). This is due to strong progress in two indicators: the time and costs to start a business. Nonetheless, member economies can work on reducing the number of procedures, which fell short of the 6.6% target, and also lagged behind improvements by the

rest of the world. While six APEC economies managed to reduce the number of procedures, two economies reported an increase in procedures instead.

Figure 6: Percentage change in Average Values for Starting a Business Indicators between 2015 and 2017



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

Note: Improvements are shown with negative values.

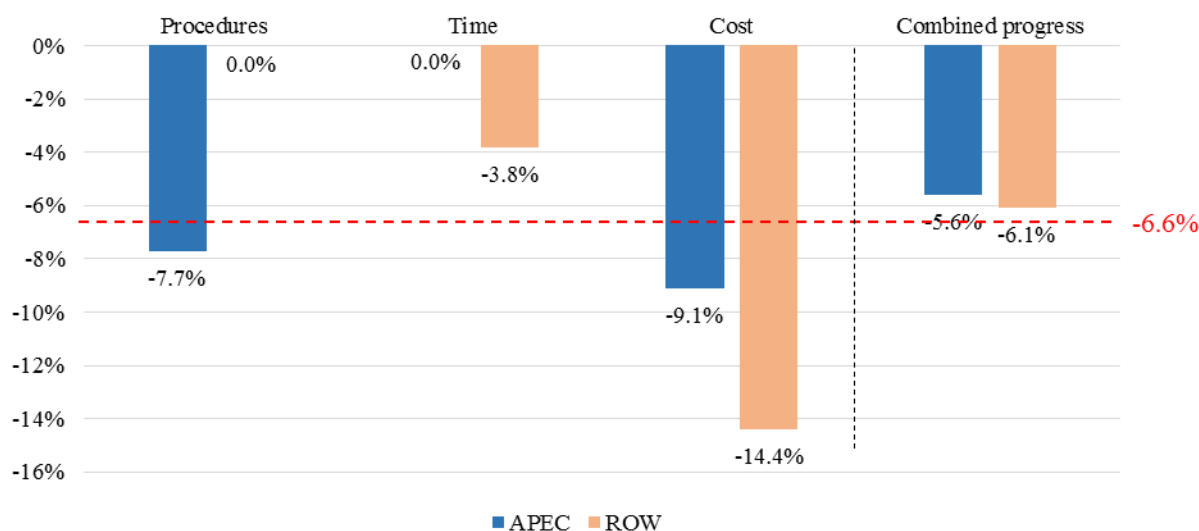
As the average number of procedures missed the pro-rata target by only 0.2 (Table 1), the 10% target may still be achievable by 2018 for this indicator. The remaining two indicators, time and cost to start a business, on the other hand have already met the overall 10% target at their current levels.

Table 1: Comparison of APEC's Starting a Business Average Indicators with 2018 Targets

Average values	Procedures (number)	Time (days)	Cost (% of income per capita)
Current situation (2017)	6.0	12.5	5.6
Pro-rata target (6.6%)	5.8	14.3	6.0
Overall target (10%)	5.6	13.8	5.8
Progress on track?	No	Yes	Yes

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

Meanwhile, combined median progress for APEC have not met the 6.6% target. This is due mainly to the lack of progress in the median time to start a business. However, APEC has done well in reducing the median number of procedures and costs, which have both met the pro-rata 6.6% goal.

Figure 7: Percentage change in Median Values for Starting a Business Indicators between 2015 and 2017

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

Note: Improvements are shown with negative values.

APEC has already achieved the overall 10% target for one indicator, the cost to starting a business (Table 2). Reductions in the median number of procedures have also met the 6.6% pro-rata target, and is close to meeting the overall target as well. The time required to start a business, however, is still relatively far from the pro-rata target with no improvements in the past two years.

Table 2: Comparison of APEC's Starting a Business Median Indicators with 2018 Targets

Median values	Procedures (number)	Time (days)	Cost (% of income per capita)
Current situation (2017)	6.0	10.0	3.0
Pro-rata target (6.6%)	6.1	9.3	3.1
Overall target (10%)	5.9	9.0	3.0
Progress on track?	Yes	No	Yes

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

Box 1: Improvements to Facilitate Starting a Business and Assist SMEs in the APEC Region

Several APEC economies have simplified registration procedures and improved the environment for businesses to be conducted in the region.

For example, Brunei Darussalam removed a procedure to obtain a name reservation and a requirement to upload the Notice of Situation of Registered Office and Returns of Allotment

shares form during incorporation. This reduced the cost of incorporation and capped it at BND 300.

Similarly, Thailand eliminated registration procedures such as those requiring a company seal, which has reduced the time required to start a business from 27.5 days to 4.5 days.

China in its efforts to streamline the business licensing process established the Multi-Card Combination system, which aims to integrate the various business licenses into one. As of October 2017, it had issued approximately 9 million licenses under the scheme.

In addition, Mexico announced the first stage of an electronic platform for business permit applications, which will also allow tax related services to be carried out. This platform aims to reduce the time taken to register a business to 24 hours.

Besides streamlining business application procedures, other APEC economies have been looking into the financial sustainability of SMEs. For instance, Peru introduced factoring for SMEs to allow them to sell their account receivables at a discounted rate to obtain cash.

Sources:

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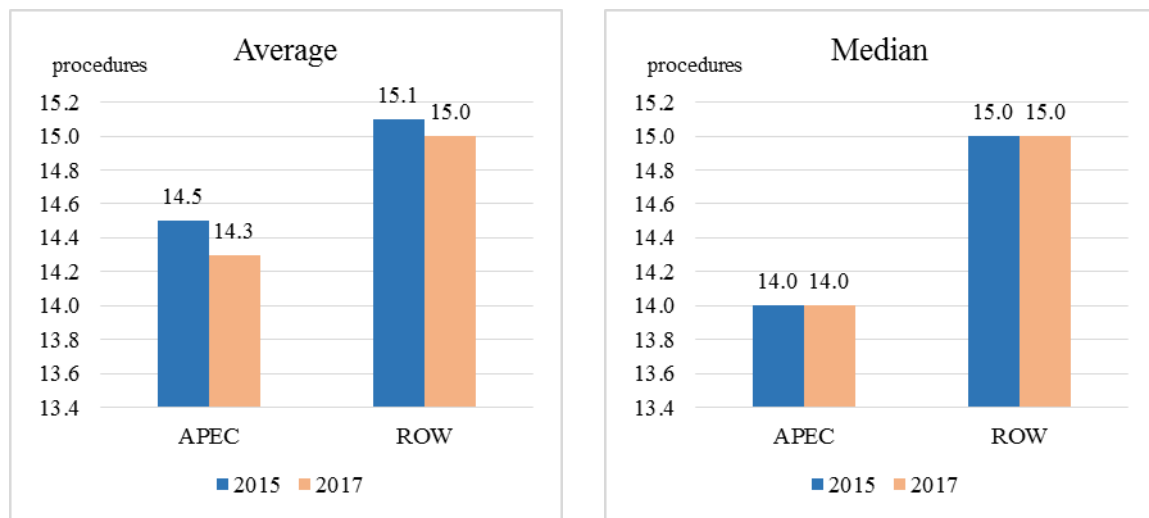
B. DEALING WITH CONSTRUCTION PERMITS

Dealing with construction permit indicators record the number of procedures, time, and cost for a business in the construction industry to build a warehouse. The building quality control index is also measured, which is the sum of the scores of six other indicators: the quality of building regulations, quality control before, during, and after construction, liability and insurance regimes, and professional certifications indices. The index ranges from 0 to 15, with higher values indicating higher building quality.

In general, average and median indicators under this priority area are far from the 10% improvement target. Collectively, average values only improved by 1.9%, and median values have instead worsened by 0.2%. This is due mainly to a sharp increase in the time required to deal with construction permits by one economy. Despite this, average and median conditions in the APEC region are better than in the rest of the world.

Improvements by APEC economies in the average number of procedures to deal with construction permits have exceeded that of the rest of the world (Figure 8). Both average and median number of procedures for APEC economies have also remained below that of their non-APEC counterparts in 2017. Progress in APEC was driven by Singapore and Russia, where the number of procedures were reduced by 4 and 0.6 respectively.

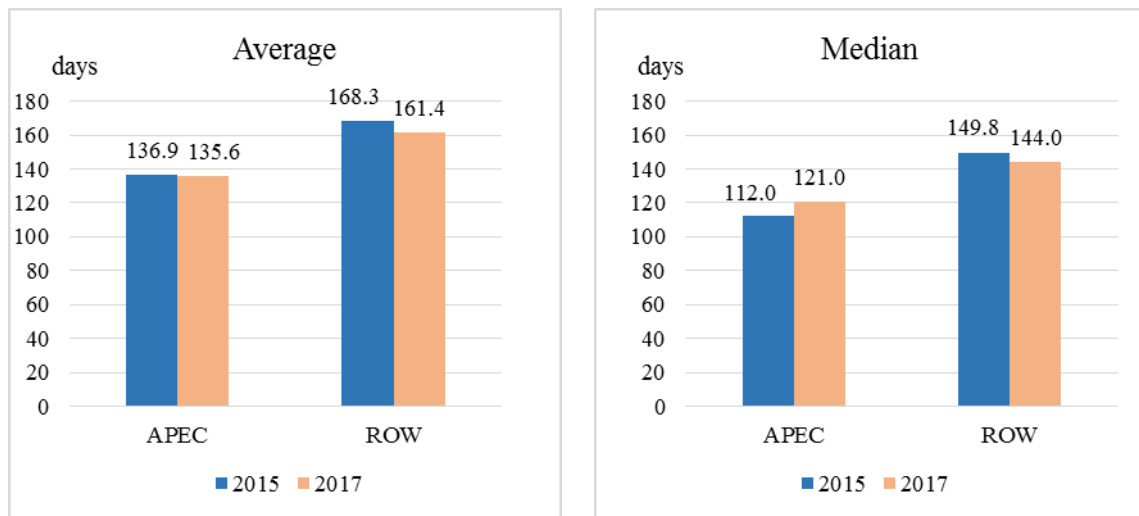
Figure 8: Average and Median Procedures to deal with Construction Permits



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

There was a slight reduction of 1.3 days in the average time required to deal with construction permits in the APEC region (Figure 9). However, median values of member economies increased by 9 days between 2015 and 2017. Three APEC economies reported slight improvements, but this was offset by an increase of 22 days in total by two members. A large disparity amongst APEC economies in the time required to deal with construction permits persisted in 2017, ranging from less than a month to over 8 months. Nevertheless average and median times to deal with construction permits in APEC remains below the rest of the world.

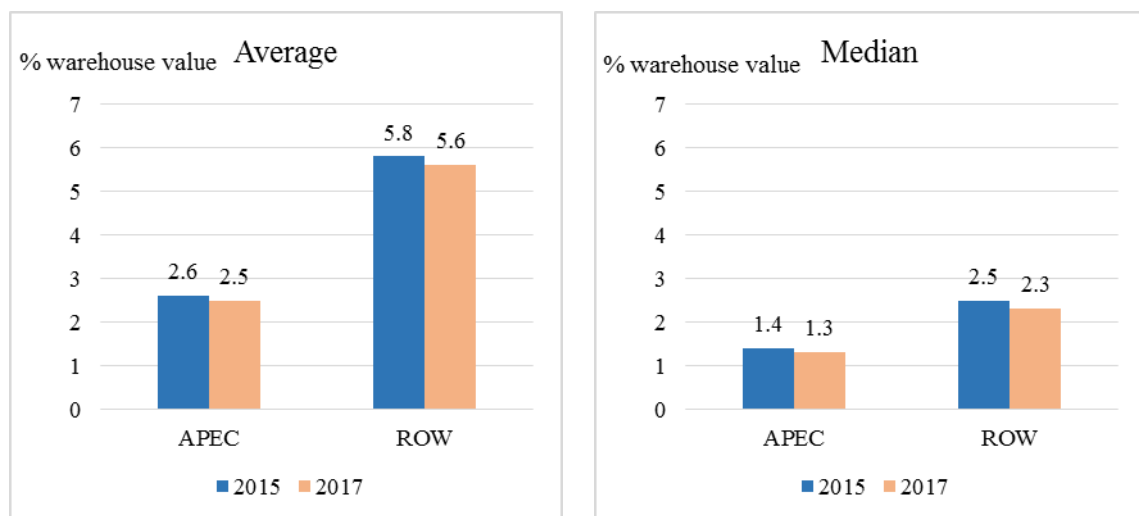
Figure 9: Average and Median Time to deal with Construction Permits



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

Average costs to deal with construction permits in the APEC region remain well below the rest of the world (Figure 10). Both average and median values have also reduced for APEC economies between 2015 and 2017, which was driven by the efforts of nine member economies.

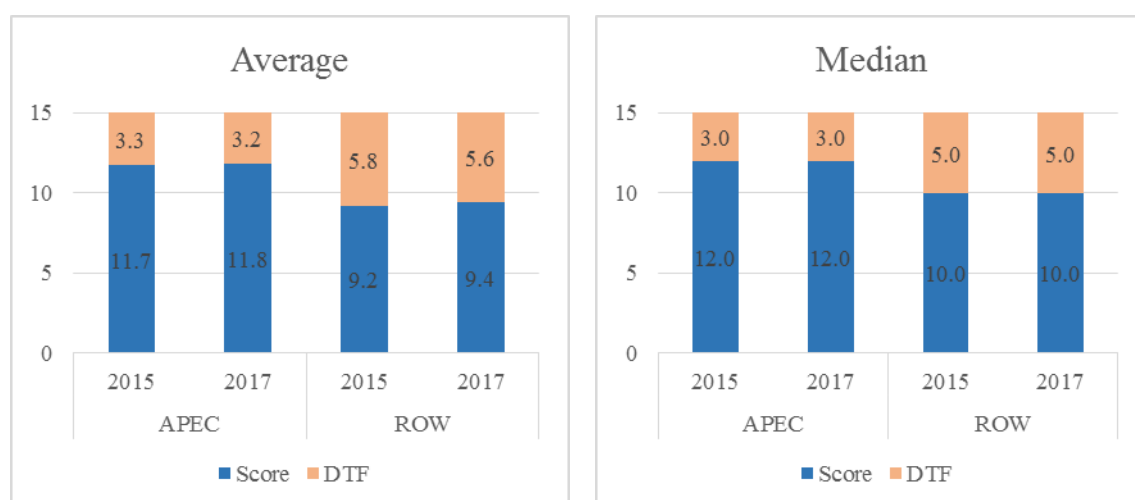
Figure 10: Average and Median Cost (% of warehouse value) of dealing with Construction Permits



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

APEC's average and median scores for the Building Quality Control Index remain relatively high compared to the rest of the world (Figure 11). The average distance to frontier also improved by 0.1, while the median remained constant. These scores were attributed to improvements of two member economies. Indeed all APEC members except two of them scored a 10 and above out of a possible 15.

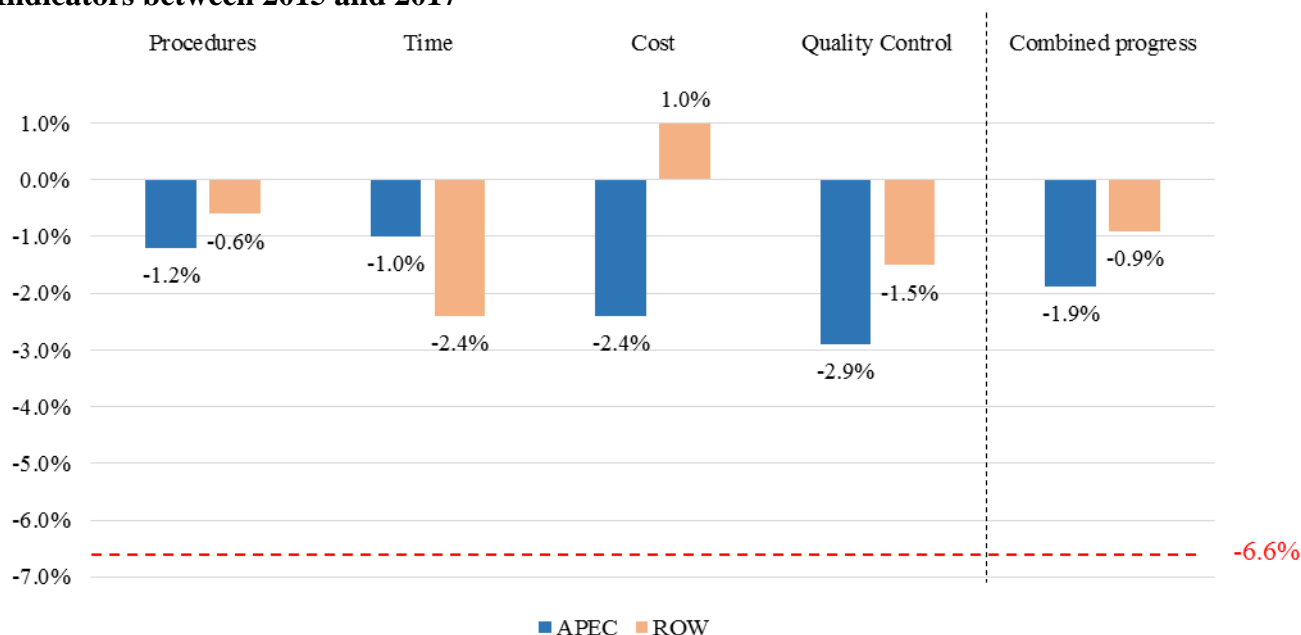
Figure 11: Average and Median Building Quality Control Index (DTF)



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

As seen in Figure 12, the average values of all four dealing with construction permits indicators are far from the 6.6% target. While the combined progress of APEC has surpassed the rest of the world's, work still has to be done in improving the indicators under this priority area. In particular, only a handful of economies have reported improvements in three of the four indicators: the number of procedures, the time required and building quality control index. A more cohesive effort by APEC as a whole is therefore needed if progress is to be achieved.

Figure 12: Percentage change in Average Values for Dealing with Construction Permits Indicators between 2015 and 2017



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

In absolute terms, the gap for APEC economies to achieve pro-rata targets are relatively small for three of the indicators: number of procedures, cost, and building quality control index. However, given the slow progress of member economies so far it is uncertain if the overall

10% target will be met in 2018. The gap for the time required to deal with construction is also rather large, and achieving the overall 10% target may not be feasible.

Table 3: Comparison of APEC's Dealing with Construction Permits Average Indicators with 2018 Targets

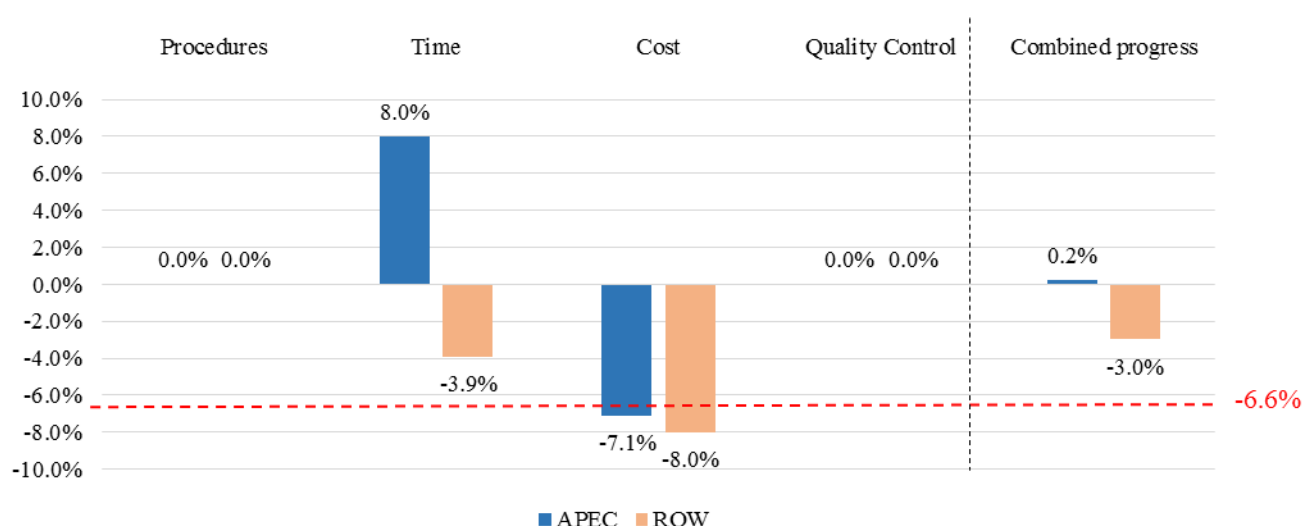
Average values	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building Quality Control Index (DTF)
Current situation (2017)	14.3	135.6	2.49	3.2
Pro-rata target (6.6%)	13.5	127.8	2.4	3.1
Overall target (10%)	13.1	123.3	2.3	2.9
Progress on track?	No	No	No	No

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 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.

In median terms, only one indicator, the Cost of Dealing with Construction Permits, reported improvements and achieved the 6.6% pro-rata target. However, this was offset by a significant increase in the time to deal with construction permits, and no improvements in the number of procedures and the building quality control index. Consequently, the combined progress of APEC has worsened by 0.2% overall.

Figure 13: Percentage change in Median Values for Dealing with Construction Permits Indicators between 2015 and 2017



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

Note: Improvements are shown with negative values.

Apart from the cost of dealing with construction permits, APEC still has far to go to achieve pro-rata targets. It appears unlikely that the region will be able to meet the overall 10% target in 2018, given the past and current rates of progress.

Table 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)
Current situation (2017)	14.0	121.0	1.3	3.0
Pro-rata target (6.6%)	13.1	104.5	1.3	2.8
Overall target (10%)	12.6	100.8	1.3	2.7
Progress on track?	No	No	Yes	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 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.

Box 2: Greater Ease in Obtaining Construction Permits

Despite limited improvements in the APEC region in recent years, some improvements have been identified in Russia and Viet Nam.

Russia made amendments to the Town Planning Code, which allows projects to be started during the preparation of the construction permit.

The authorities of Ho Chi Minh City, Viet Nam established an online platform to ease the process of applying for construction permits. It aims to ensure that these permits are issued to applicants within 15 days of submitting an application online.

Sources:

- Esmerk Russian News; “Russia: Developers may start preparing project without construction permit” 18 October, 2017;
- Viet Nam News; “HCM City issues construction permits within 15 days” 24 June 2017; <http://vietnamnews.vn/society/378805/hcm-city-issues-construction-permits-within-15-days.html#a8PQAJyG8muWk8eH.97>

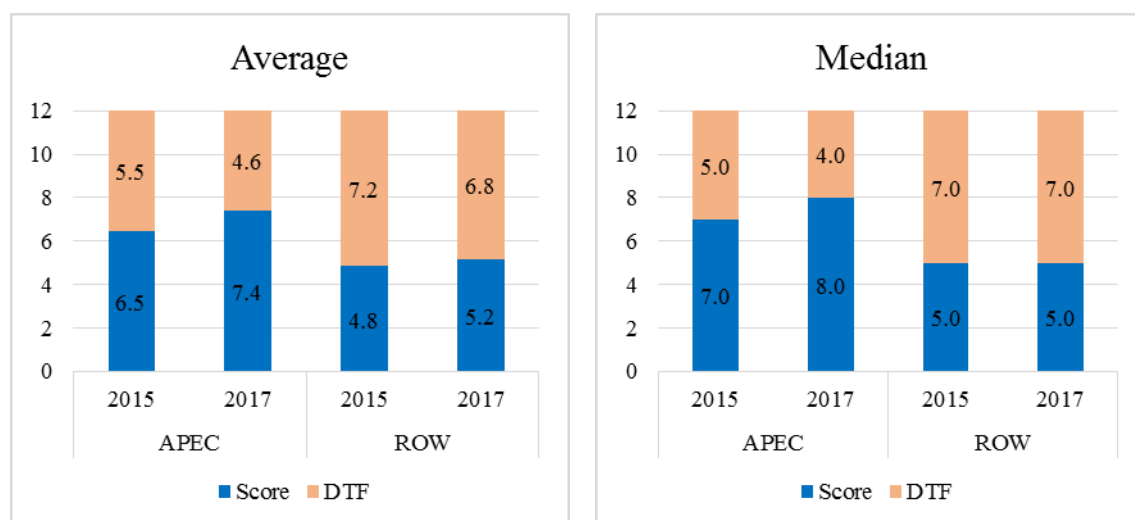
C. GETTING CREDIT

The getting credit priority area measures two aspects: 1) the legal rights of borrowers and lenders and 2) the reporting of credit information. The first area consists of the strength of legal rights index, while the second consists of the depth of credit information index, and credit coverage. The distance to frontier (DTF) was used in calculations of combined progress in the place of scores to maintain consistency in the direction of improvements. In other words, lower DTF values represent improved performance, and vice versa.

Getting credit has achieved the most progress out of the five priority areas. In fact, both average and median improvements have greatly exceeded the 10% target for 2018—average values in APEC reported an 18.1% improvement while median values reported a 25.1% improvement. Progress by member economies occurred across the board, with 10 economies enjoying higher credit coverage in 2017 and six economies achieving higher scores on the strength of legal rights index.

As seen in Figure 14, the average and median scores of the strength of legal rights index improved between 2015 and 2017 for APEC, exceeding that of the rest of the world. This progress is due to improvements in six APEC economies. In particular, Brunei Darussalam reported a significant increase in scores—from 4 out of a possible 12 in 2015, to attaining the maximum of 12 in 2017.

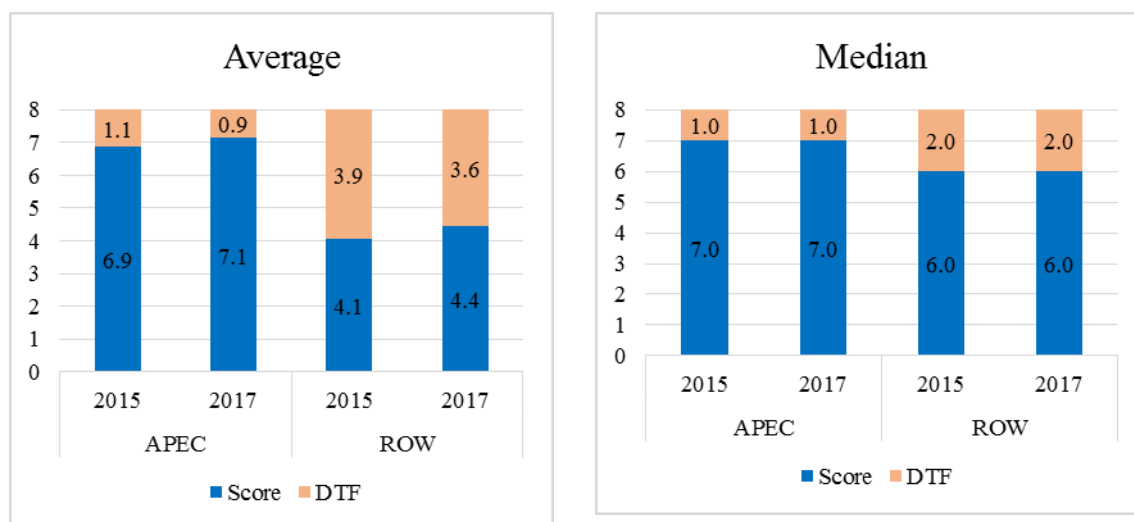
Figure 14: Average and Median Strength of Legal Rights Index for Getting Credit



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

APEC economies have done significantly better than the rest of the world in the depth of credit information index in terms of average scores (Figure 15). Median scores for APEC economies are also higher than those in the rest of the world, although there was no progress between 2015 and 2017. In 2017, 17 APEC members attained a score of 7 and above out of a possible 8, with nine economies achieving the maximum score of 8. Improvements by four member economies also contributed to the increase in average scores for APEC between 2015 and 2017.

Figure 15: Average and Median Depth of Credit Information Index for Getting Credit

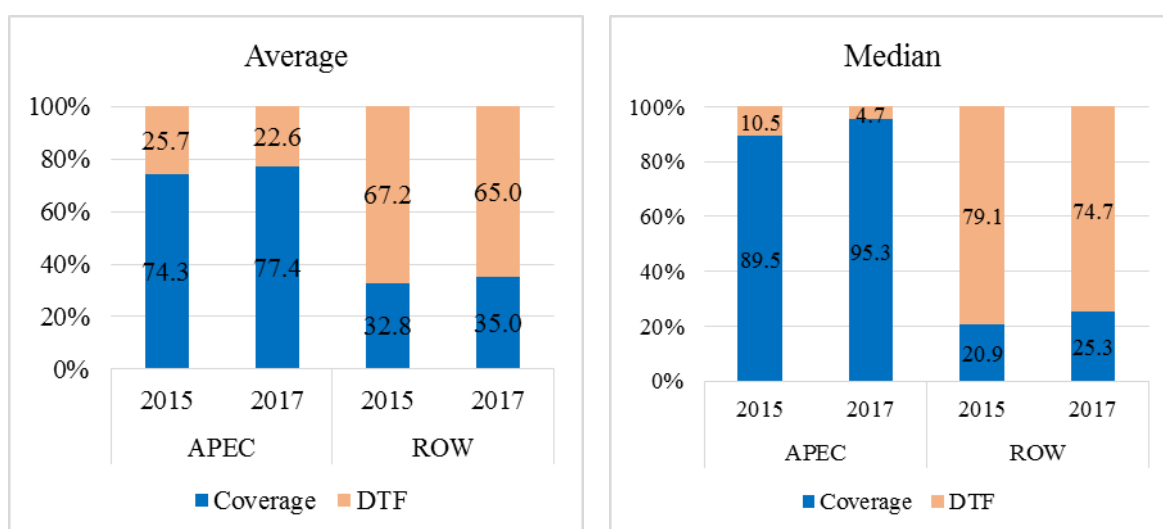


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Credit coverage measures the number of individuals listed either under a public credit registry or a private credit bureau’s database, with information on their borrowing history and credit reports. If both types of databases are used in a particular economy, then the one with the higher coverage is considered to measure progress.

Average credit coverage in APEC remains considerably high, more than double the rest of the world’s (Figure 16). Median coverage also exceeded the rest of the world, with APEC economies enjoying almost four times as much coverage their non-APEC counterparts. However, there remains a large disparity amongst member economies in 2017. While nine APEC economies have 100% credit coverage, the bottom two economies have less than 10% coverage. More work therefore needs to be done to reduce this gap.

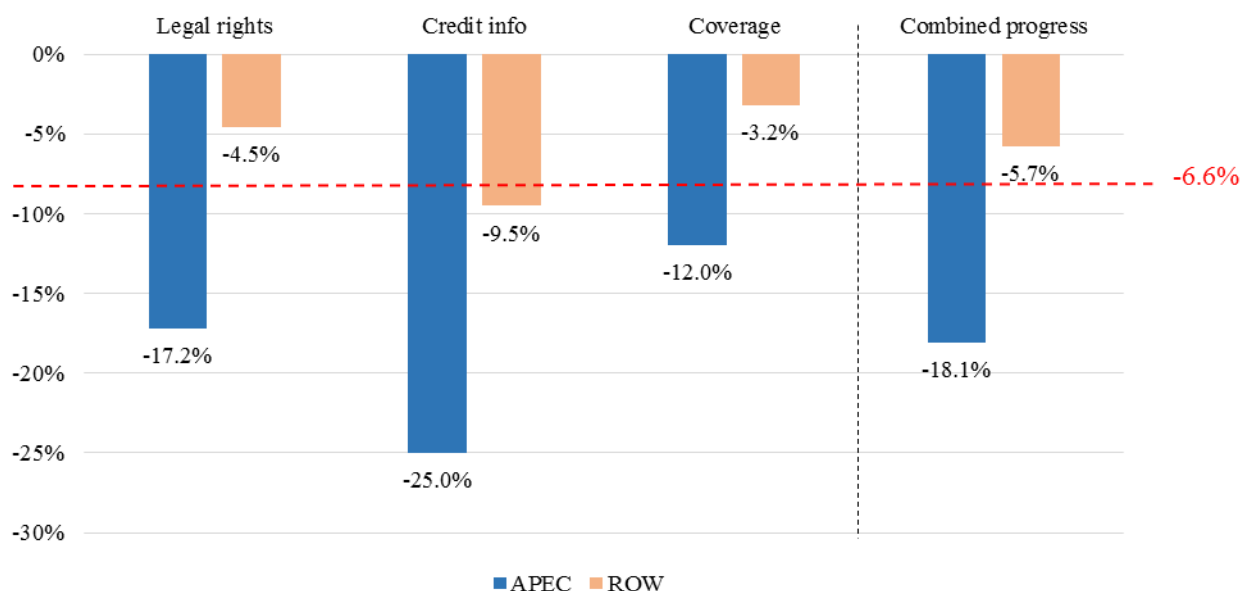
Figure 16: Average and Median Public Credit Registry and Private Credit Bureau Coverage



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

APEC's progress in the getting credit average values have outpaced the rest of the world (Figure 17). Indeed, all three indicators have exceeded even the overall 10% target by 2018. The combined progress of APEC is driven mainly by the increase in credit coverage, where almost half of the APEC members have reported improvements.

Figure 17: Percentage change in Average Values for Getting Credit between 2015 and 2017



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

Note: Improvements are shown with negative values.

All three getting credit indicators have far surpassed the pro-rata target, even to the extent of exceeding the overall 10% target for 2018 (Table 5).

Table 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)	Public and Private Credit Coverage (% of adults not covered)
Current situation (2017)	4.6	0.9	22.6
Pro-rata target (6.6%)	5.2	1.1	24.0
Overall target (10%)	5.0	1.0	23.1
Progress on track?	Yes	Yes	Yes

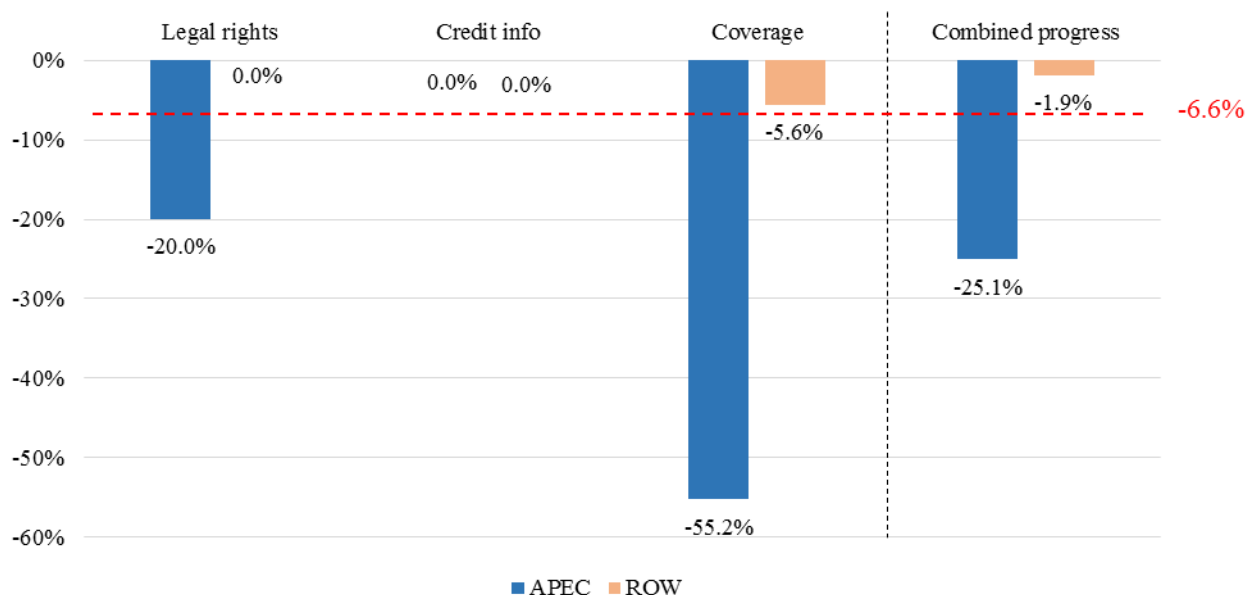
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

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.

Similarly, combined progress of median values for APEC have gone beyond even the 10% target for 2018 (Figure 18). This is led by a substantial improvement of 55.2% in the coverage

of credit registries and bureaus in the region. However there was no change in the depth of credit information, due possibly to the fact that 17 economies have already achieved a score of at least 7 out of 8 in 2017. It may therefore be challenging to improve median scores beyond the current values.

Figure 18: Percentage change in Median Values for Getting Credit between 2015 and 2017



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

Note: Improvements are shown with negative values.

Nonetheless, the gap between current values and the 6.6% pro-rata target for the depth of credit information index is relatively small, and there is a possibility that the overall target may be achieved by 2018 (Table 6).

Table 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)	Public and Private Credit Coverage (% of adults not covered)
Current situation (2017)	4.00	1.0	4.70
Pro-rata target (6.6%)	4.67	0.93	9.80
Overall target (10%)	4.50	0.90	9.45
Progress on track?	Yes	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 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.

Box 3: Sharing Credit Information in the APEC Region

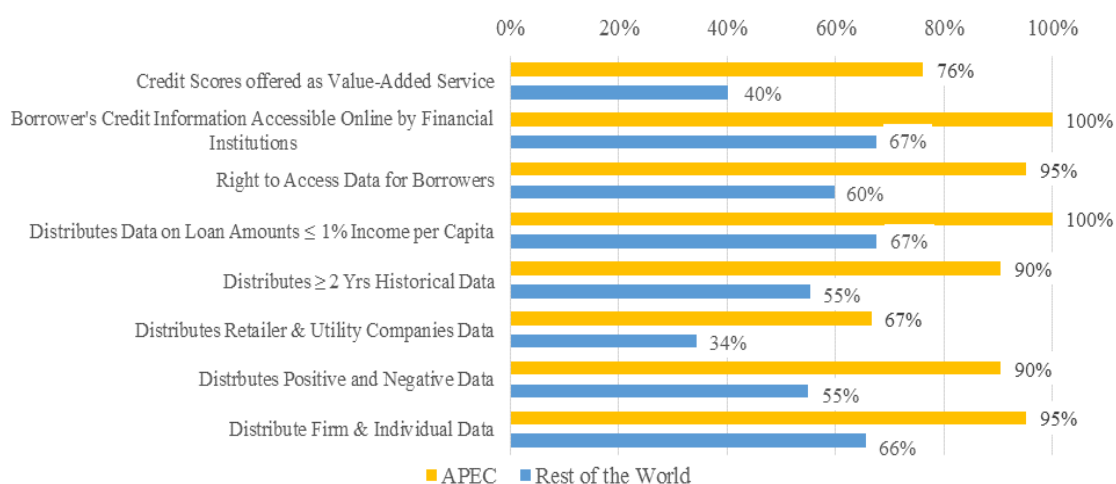
According to the IFC (2012), credit information systems have allowed a diverse range of individuals to access credit markets by providing lenders with substantial information to make informed lending decisions. As mentioned by Hahm and Lee (2011), the sharing of credit information provides several benefits to both consumers and financial institutions such as increasing the costs on borrowers should they default and reducing lenders market power in establishing interest rates.

Prevalence of Credit Information Practices in APEC

The latest World Bank's Doing Business 2018 report shows that the incidence of many features that help to improve the scope and accessibility of credit information is greater within the APEC region than in the rest of the world. For example, all APEC economies provide financial institutions online access to borrowers' credit information, while this feature is only available in 67% of the economies in the rest of the world. Likewise, data on loans amounting to less than 1% of the income per capita are distributed to credit information systems in all APEC economies, but just 67% of the economies in the rest of the world.

Sharing positive credit information is becoming a common feature in APEC (See Figure 19), which can increase an individual's access to credit. Hahm and Lee (2011) examined Korea's credit data and noted that credit models that included both positive and negative credit information provided lenders with better predictive abilities. Similarly, the Hong Kong Monetary Authority (2006) found that after Hong Kong, China implemented positive credit data sharing in 2003, the credit card charge-off ratio had declined from 14.55% in the third quarter of 2002 to 2.95% in the third quarter of 2005.

Figure 19: Share of Credit Information Features Available in APEC and the Rest of the World

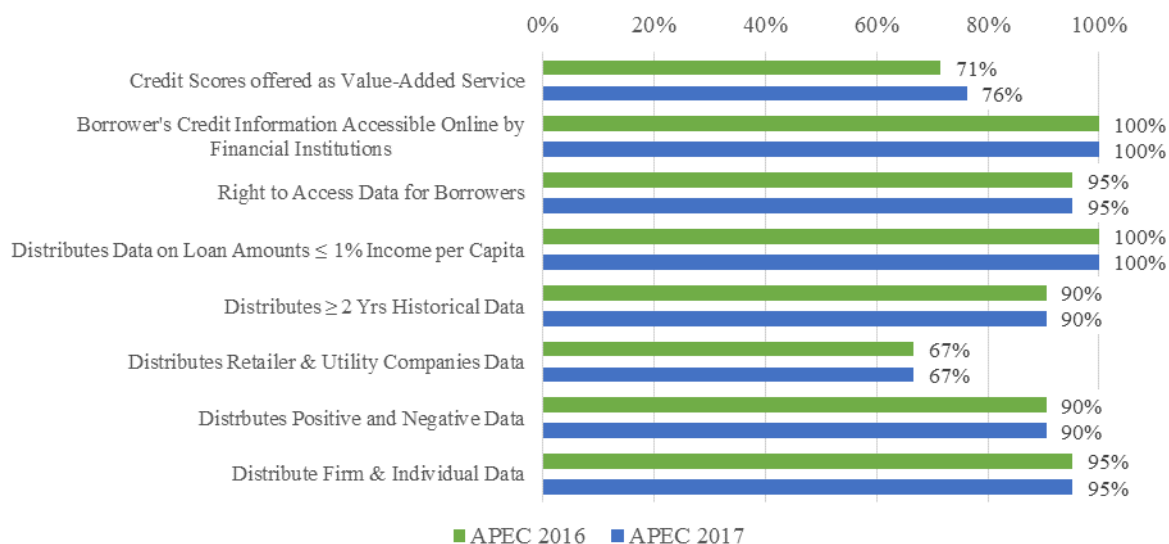


Source: Doing Business, World Bank; APEC Secretariat, Policy Support Unit Calculations

In relative terms, other credit information features are offered more in APEC than in the rest of the world. In the case of APEC, this practice has been implemented by all industrialized APEC economies, but for APEC developing economies only 56% of them have this feature.

In comparison to last year, there have not been significant changes regarding the prevalence of most credit information practices in the APEC region. However, it is noted that credit scores to improve the assessment of borrowers are increasingly being offered as value-added services by a number of credit information systems in APEC (See Figure 20)

Figure 20: Share of Credit Information Features Available in APEC in 2016 and 2017



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

Sources:

- International Finance Corporation (IFC). (2012). Credit Reporting Knowledge Guide.
- Hahm, J., & Lee, S. (2011). Economic effects of positive credit information sharing: the case of Korea. *Applied Economics*, 43(30), 4879-4890. doi:10.1080/00036846.2010.498364
- Hong Kong Monetary Authority. (2006). Benefits of sharing positive consumer credit data.

Box 4: Improved Systems to Facilitate Obtaining Credit in APEC

APEC economies are making efforts to provide a more holistic measure of an individual's credit information and ensure sufficient legal protection to creditors.

Quality of Individuals Credit Information

Australia will launch a new reporting requirement from July 2018, which calls for financial institutions to provide both negative and positive credit information on consumers. This is expected to provide a more accurate measure of a consumer's credit worthiness.

The United States implemented new credit reporting standards in July 2017 which excluded incomplete information on tax liens or civil judgements from an individual's credit report. This followed a 2015 change allowing individuals to correct errors on their own reports. Taken together, these steps are intended to improve credit reporting accuracy.

Legal Protection to Creditors

In 2016, creditor protection was enhanced in Papua New Guinea through the establishment of an online registry system. This system allows verification on existing claims made on assets belonging to potential borrowers increasing the protection of creditors.

In 2017, Hong Kong, China introduced reforms aimed to reduce the costliness of the liquidation process for creditors as well as simplify it.

Similarly, Singapore implemented the UNCITRAL Model Law on Cross Border Insolvency, which assists in dealing with insolvency proceedings involving foreign representatives.

Sources:

- Australian Associated Press; “Small lenders back credit reporting move” 2 November 2017; <http://www.news.com.au/national/breaking-news/small-lenders-back-credit-reporting-move/news-story/468a14846da00ccba1187a710dd6b05f>
- CNBC; “New rules will cause some credit scores to rise July 1” 28 June 2017; <https://www.cnbc.com/2017/06/27/new-rules-will-cause-some-credit-scores-to-rise-july-1.html>
- New York Times; “Big Credit Reporting Agencies to Overhaul Error Fixing Process” 10 March 2015; <https://www.nytimes.com/2015/03/10/business/big-credit-reporting-agencies-to-overhaul-error-fixing-process.html>
- Asian Development Bank; “New Way to Lend and Borrow in Papua New Guinea” 1 December 2016; <https://www.adb.org/results/new-way-lend-and-borrow-papua-new-guinea>
- Mondaq; “Hong Kong: Hong Kong’s Insolvency Regime: A Time of Change” 27 September 2017; <http://www.mondaq.com/hongkong/x/632484/Insolvency+Bankruptcy/Hong+Kongs+Insolvency+Regime+A+Time+Of+Change>
- Mondaq; “Singapore: Singapore Implements The UNCITRAL Model Law On Cross-Border Insolvency” 20 June 2017; <http://www.mondaq.com/x/603442/Insolvency+Bankruptcy/Singapore+Implements+the+UNCITRAL+Model+Law+on+CrossBorder+Insolvency>

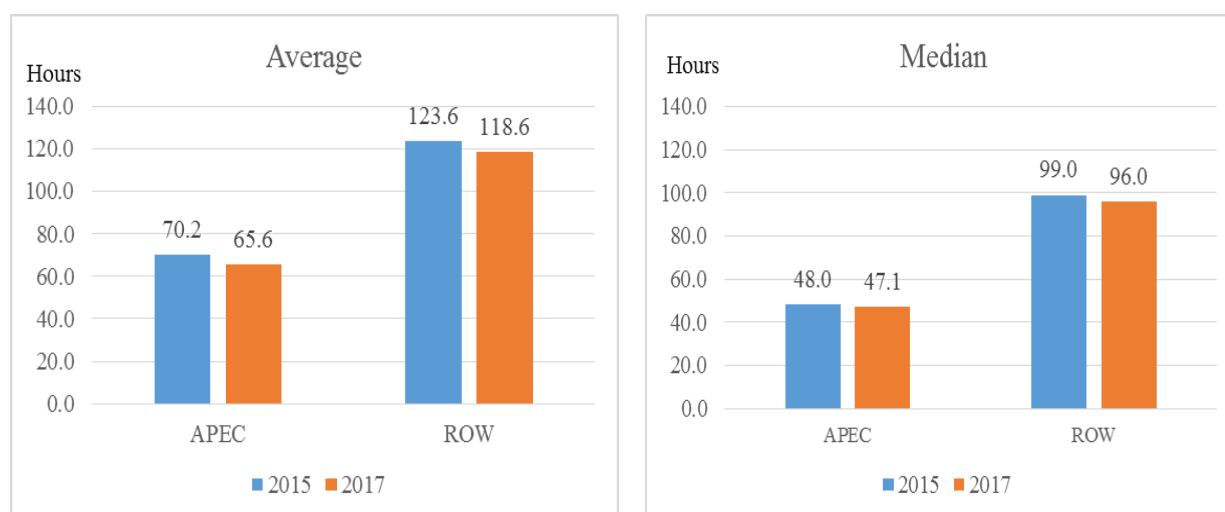
D. TRADING ACROSS BORDERS

For the APEC region, international trade has become cheaper and faster. Based on the latest data released by the World Bank's Doing Business, APEC as a whole has improved its performance in trading goods across borders, by reducing the time and cost of documentary and border compliance⁷. However, while APEC has performed better than that of the rest of the world in this priority area, its progress was below the pro-rata target of 6.6% during the period 2015-2017.

In terms of the time to export, APEC's average number of hours went down by 6.5%, slightly below the pro-rata target, from 70.2 hours in 2015 to 65.6 hours in 2017. APEC's median time to export fell slightly by 1.9%, from 48 to 47.1 hours. The improvement in the time to export was attributed to the efforts of six economies which effectively managed to reduce their times, in particular Chinese Taipei, which reduced it by 54% (i.e. 26 hours).

The average and median times to export were much lower in APEC than in the rest of the world, which were nearly double those in APEC. This is an indication of respectable progress attained by the APEC region as a whole. However, APEC needs to reduce the disparity in the times to export among the region, which range from 3 to 272 hours.

Figure 21: Average and Median Time to Export

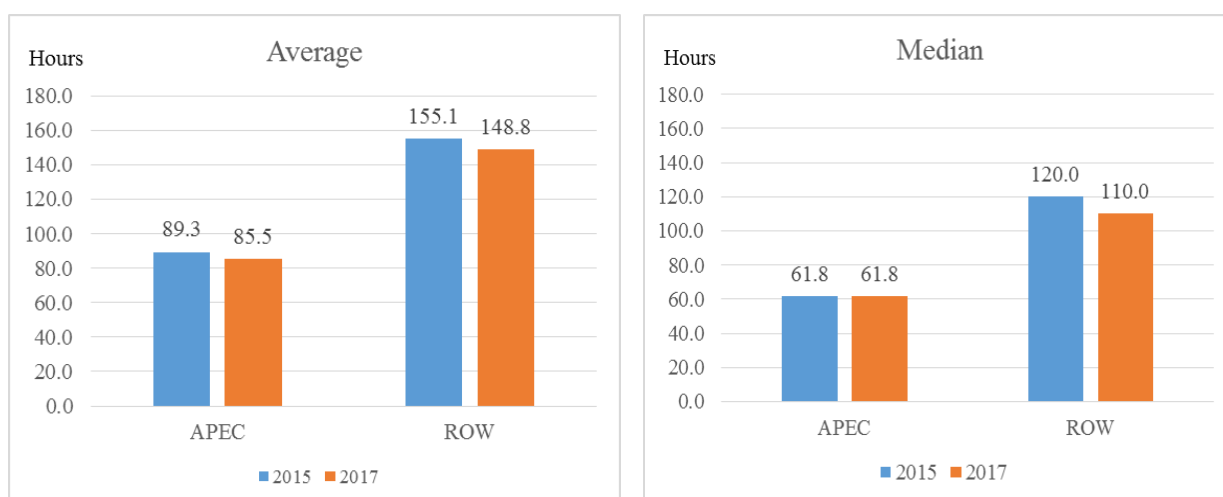


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Whilst the time to export is still shorter than the time to import in both APEC and the rest of the world, APEC's average number of hours to import fell from 89.3 to 85.5 hours, a reduction of 4.3%. Economies such as Indonesia and Viet Nam explained most of this reduction by decreasing their times to import by more than 24 hours. The disparity within APEC is noticeable, as three economies require less than 10 hours to export, but it takes more than 200 hours in one economy. APEC's median number of hours to import remained unchanged (61.8 hours).

⁷ For simplicity, the report assumes that the cost and time to export and import is equivalent to the amount of USD and hours it takes to finalize the documentation and border compliance. It is assumed that both steps cannot be performed simultaneously.

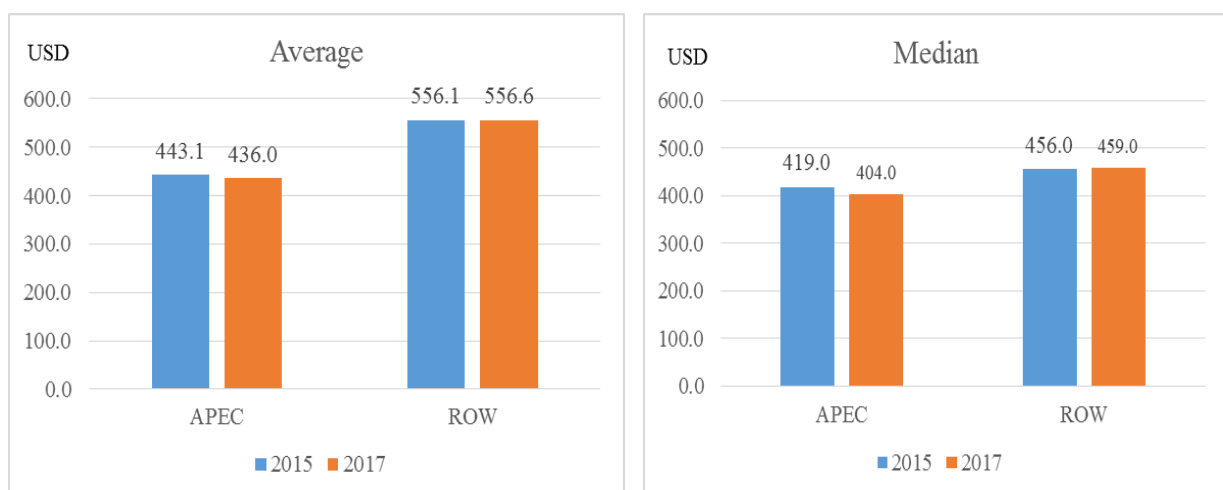
Figure 22: Average and Median Time to Import



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

As opposed to the rest of the world, APEC's cost to trade across borders also experienced a decline between 2015 and 2017. Regarding exports, while APEC's average cost went slightly down from USD 443 to USD 436, its median cost fell from USD 419 to USD 404. In average terms, APEC's cost to export improved in 1.6%, less than the time to export (6.5%). In contrast, APEC's median cost to export improved by 3.6%, which was greater than the rate set by its median time to export (1.9%).

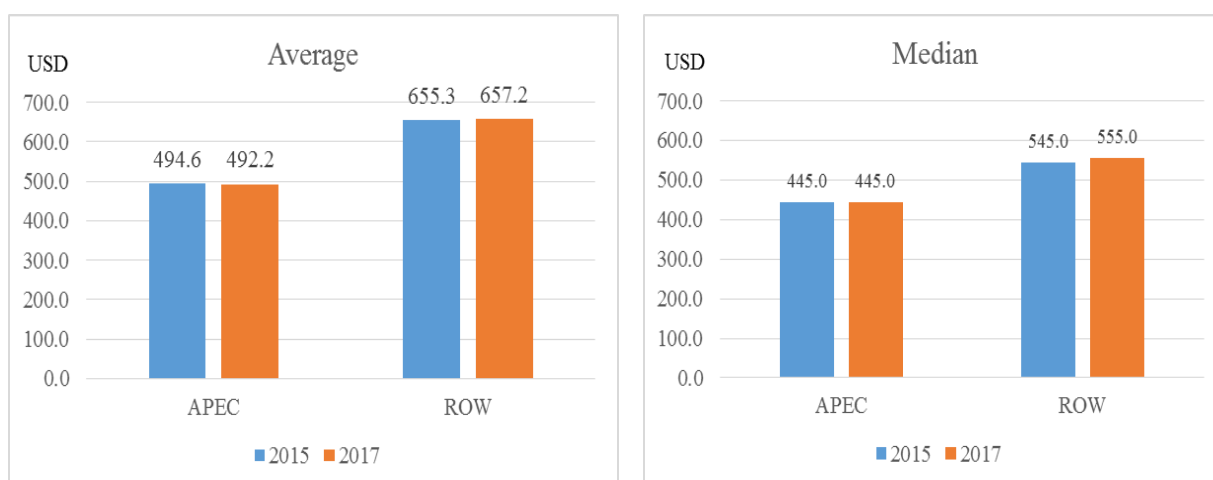
Figure 23: Average and Median Cost to Export



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

Similarly, APEC's average cost to imports marginally fell from nearly USD 495 to USD 492. However, APEC's median cost to imports remained unchanged (USD 445) between 2015 and 2017. Compared to the rest of the world, the cost to import in APEC has been lower. In 2017, APEC's average and median cost to import were USD 165 and USD 110 cheaper than those for the rest of the world.

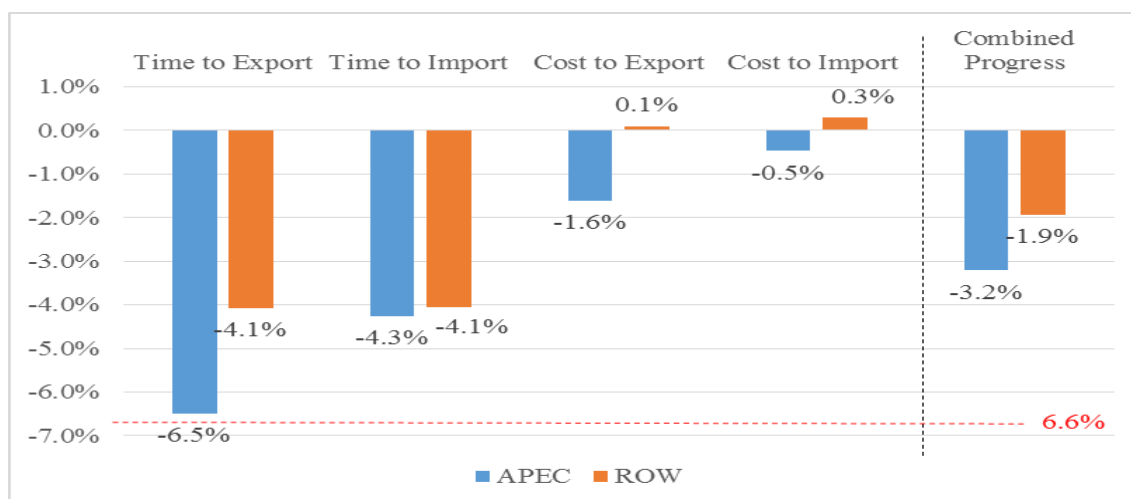
Figure 24: Average and Median Cost to Import



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

None of the Trading Across Borders average indicators met the 6.6% pro-rata target. However, APEC made progress in all of them between 2015 and 2017, particularly in terms of time, which has performed better than the rest of the world. Also, progress regarding time and cost has been greater for exports than for imports. While the combined progress of 3.2% is less than half of the pro-rata target, this progress achieved in two years is greater in percentage terms than that achieved by APEC between 2009 and 2015 (1.4%)⁸.

Figure 25: Percentage Change in Average Values for Trading Across Borders Indicators between 2015 and 2017



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

Note: Improvements are shown with negative values.

APEC is relatively close to reach the overall target regarding the average time to export and import, nearly 2 ½ hours away from the target for exports and 4 hours away from the target for imports. In contrast, APEC needs to do further work to reduce the average cost to trade by USD

⁸ APEC Policy Support Unit (2016), “APEC’s Ease of Doing Business – Final Assessment 2009-2015”. APEC Secretariat, APEC#216-SE-01.10, p.1.

37 for exports and USD 47 for imports in order to achieve the 10% improvement target by 2018.

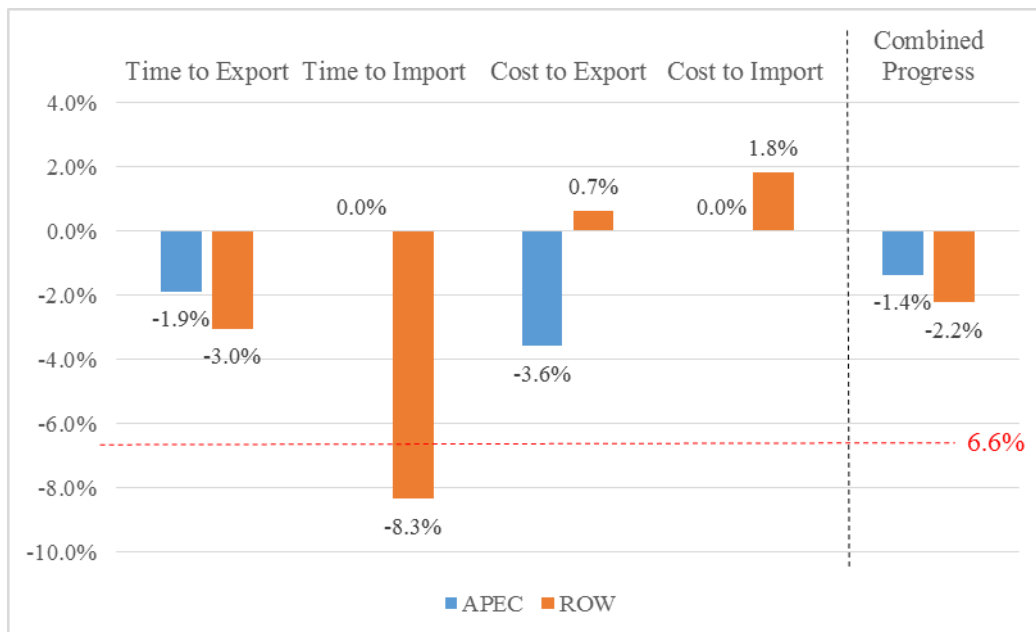
Table 7: Comparison of APEC's Trading Across Borders Average Indicators with 2018 Targets

Average values	Time to Export (hours)	Time to Import (hours)	Cost to Export (USD)	Cost to Import (USD)
Current situation (2017)	65.6	85.5	436.0	492.2
Pro-rata target (6.6%)	65.5	83.4	413.4	461.4
Overall target (10%)	63.2	80.4	398.8	445.1
Progress on track?	No	No	No	No

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

APEC's progress regarding its Trading Across Borders median indicators fell short from the 6.6% pro-rata target. However, as opposed to last year, when APEC only improved its median cost to export, this year APEC has reduced its median time to export. Similarly to last year, APEC's import-related median indicators did not show any improvement.

Figure 26: Percentage Change in Median Values for Trading Across Borders Indicators between 2015 and 2017



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

Note: Improvements are shown with negative values.

Looking at the gaps by APEC's median indicators, APEC needs to reduce its median time to export by nearly four hours and its median time to import by more than 6 hours to achieve the 10% improvement target. APEC's median cost to export and import fell short by around USD 27 and USD 45.

Table 8: 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)
Current situation (2017)	47.1	61.8	404.0	445.0
Pro-rata target (6.6%)	44.8	57.7	390.9	415.2
Overall target (10%)	43.2	55.6	377.1	400.5
Progress on track?	No	No	No	No

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

Box 5: Technological Advancement for Cross-Border Trade

Technological advancements have increasingly been implemented in cross-border trade to streamline customs procedures and reduce cost.

For instance, Philippines is set to release an online trade facilitation platform functioning as a single window, TradeNet by December 2017. In addition, a memorandum order has been issued to establish a 5-day limit to customs document processing in order to streamline accreditation procedures for importers and brokers.

Indonesia launched a single window licensing system. Customs fees and taxes can now be paid through Electronic Data Capture Machines (EDCs) in 49 offices across Indonesia.

Chinese Taipei is implementing the electronic transmission of Certificate of Origins (CO) with an increasing number of economies. It recently signed a Memorandum of Understanding with Belgium on electronic certificates on non-preferential origin. Chinese Taipei is allowing the payment of CO fees through the Online Certificate of Origin Operating System.

Sources:

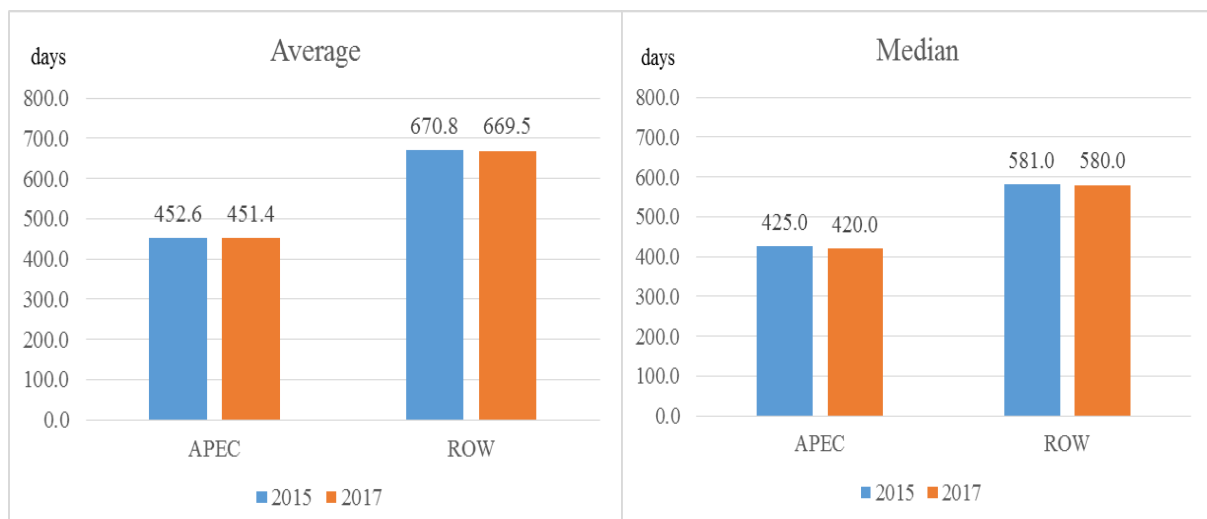
- Manila Bulletin; “DOF vows to hasten import, export permits with online facilitation platform” 16 October 2017; <https://business.mb.com.ph/2017/10/16/dof-vows-to-hasten-import-export-permits-with-online-facilitation-platform/>
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E. ENFORCING CONTRACTS

The Enforcing Contracts priority area evaluates the time and cost for resolving a commercial dispute, as well as the quality of judicial processes. Progress in this priority area, in both the APEC region and the rest of the world, has been slow, in part because it usually requires the implementation of reforms that need approval at various government levels.

In terms of the time required to enforce a contract, it still takes a long time in most of the economies in APEC and the rest of the world. Within APEC, the conditions have been better than in the rest of the world. However, it took on average 452 days to enforce a contract in 2017. Likewise, the median time to enforce a contract in APEC was also lengthy, around 420 days. Progress has been limited in recent years. APEC's average and median times improved by only one and five days between 2015 and 2017. While three APEC economies reduced their times by between 20 and 68 days between 2015 and 2017, two economies reported longer enforcement periods by 30 and 80 days in the same period.

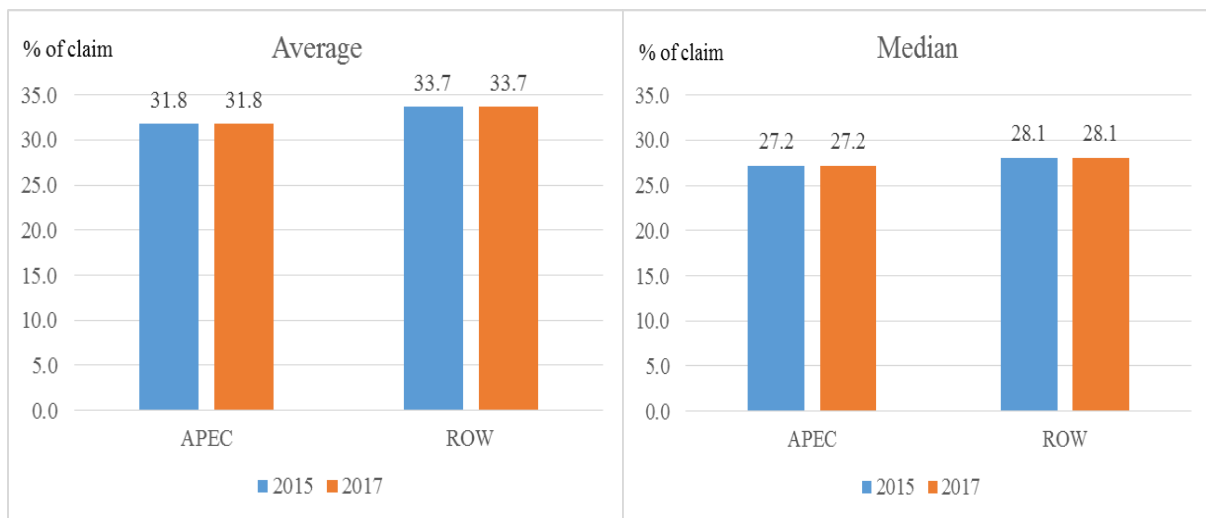
Figure 27: Average and Median Time for Enforcing Contracts



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

There was no change in the average and median cost of enforcing contracts for both APEC and the rest of the world in comparison to last year. Collectively, the cost of enforcing a contract in the APEC region is marginally lower than in the rest of the world. However, some individual APEC members need to do further work to reduce this cost. In fact, the cost of enforcing a contract in one APEC economy exceeds the total value of the claim, a situation that makes it unattractive to pursue a claim through courts.

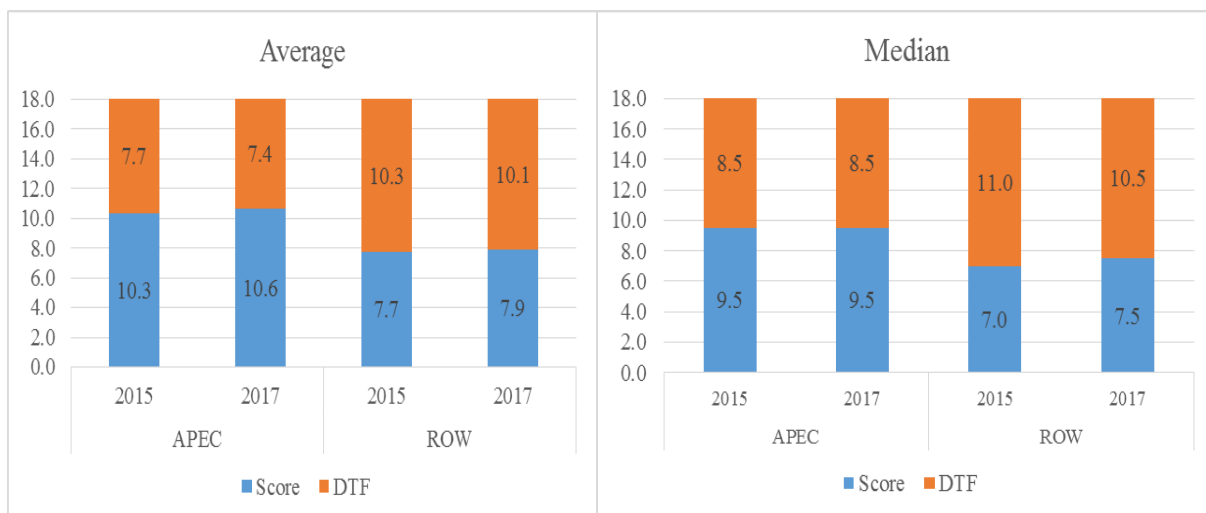
Figure 28: Average and Median Cost of Enforcing Contracts



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

The quality of judicial processes index seeks to measure the implementation of good practices, which promote efficiency and improve the quality of the commercial dispute resolution systems. The index ranges from 0 to 18, with higher values indicating better quality of judicial processes. It looks at four areas, namely: court structure and proceedings, case management, court automation and alternative dispute resolution. In average and median terms, the index shows that the quality of judicial processes has been better in the APEC region than the rest of the world between 2015 and 2017. For APEC, improvements in the index's average were explained by higher scores in five APEC developing economies.

Figure 29: Average and Median Values of the Quality of Judicial Processes Index for Enforcing Contracts

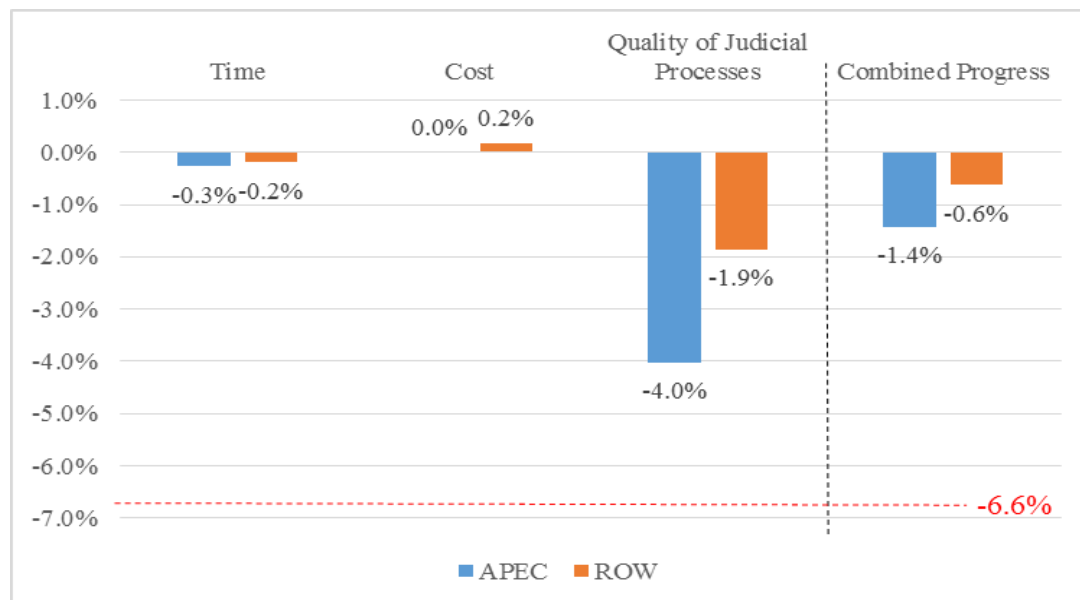


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Based on APEC's average indicators, the combined progress by the whole region in this priority area remains limited and it is far from the 6.6% pro-rata improvement target. While there has been significant improvements into the quality of judiciary processes, other indicators such as the time and cost to enforce contracts have shown marginal or no progress between

2015 and 2017. In spite of this scant progress, APEC has been doing better than the rest of the world in all Enforcing Contracts indicators.

Figure 30: Percentage change in Average Values for Enforcing Contracts Indicators between 2015 and 2017



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

Note: Improvements are shown with negative values.

In order to meet the overall target in 2018, APEC needs to make remarkable progress in all indicators, particularly in the number of days and the cost to enforce a contract. APEC has to reduce its current average time by 44 days and reduce its average cost by 3.2% of the cost of the claim to meet the 10% improvement target. In terms of the quality of judicial processes index, APEC has reported more significant progress, as it requires only 0.5 points to reach this target.

Table 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)
Current situation (2017)	451.4	31.8	7.4
Pro-rata target (6.6%)	422.3	29.7	7.2
Overall target (10%)	407.3	28.6	6.9
Progress on track?	No	No	No

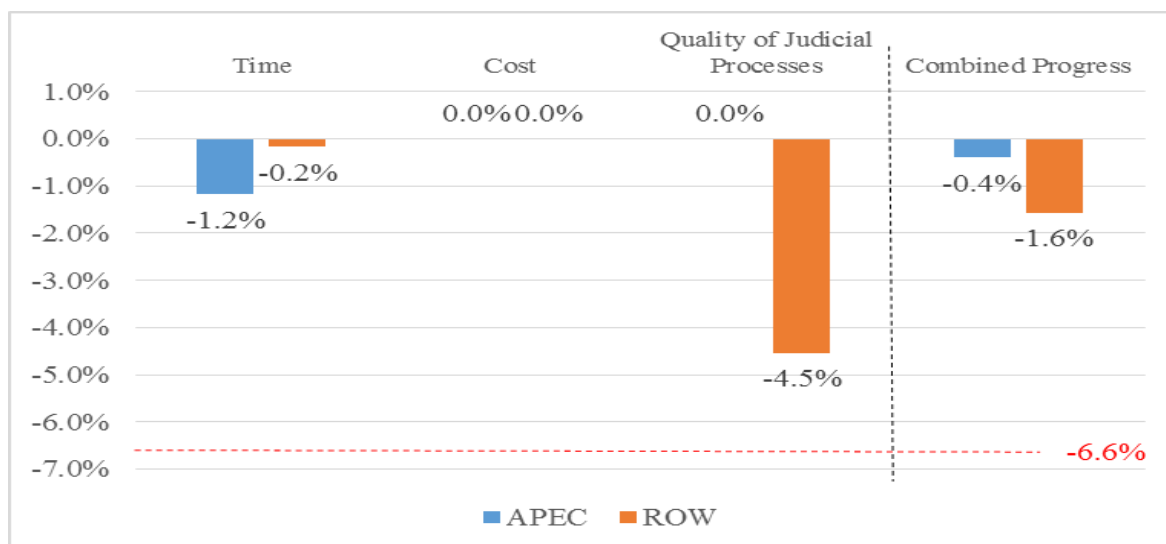
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

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

As opposed to the First EoDB Action Plan, in which APEC reported no progress in their Enforcing Contracts median indicators, APEC has been able to reduce its median time to

enforce a contract and improve its median value of the quality of judicial processes index. The combined progress of the median indicators has been greater in the rest of the world than in the APEC region. However, this has occurred because APEC median indicators and distance to frontier are already at much lower levels than those of the rest of the world, making it harder for APEC to achieve additional progress.

Figure 31: Percentage change in Median Values for Enforcing Contracts Indicators between 2015 and 2017



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

Note: Improvements are shown with negative values.

Currently, there is a wide gap between APEC median values and its 10% improvement target. In order to reach this target, APEC needs to reduce its median time to enforce contracts by 37.5 days, its median time by 2.7% of the cost of the claims, and improve its quality of judicial processes index by 0.8 points.

Table 10: Comparison of APEC's Enforcing Contracts Median Indicators with 2018 Targets

Average values	Time (days)	Cost (% of claim)	Quality of judicial processes index (DTF)
Current situation (2017)	420.0	27.2	8.5
Pro-rata target (6.6%)	396.5	25.4	7.9
Overall target (10%)	382.5	24.5	7.7
Progress on track?	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 indicators, 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.

Box 6: Improved Regulatory Changes for Enforcing Contracts

Through legislative changes to arbitration and creditor protection, the conditions to enforce contracts within the APEC region have improved.

Development of Arbitration Procedures

The Province of Ontario, Canada adopted the New York Convention on the Recognition and Enforcement of Foreign Arbitral and UNCITRAL Model Law on International Commercial Arbitration. These changes in Ontario's arbitration procedures support the enforcement of international arbitration awards and promote the harmonization of legal standards.

In Malaysia, the Kuala Lumpur Regional Centre for Arbitration launched revised arbitration rules in 2017, which aims to complement the rules established in 2013 and increase the efficiency of arbitration by improving cost and time it takes to resolve a dispute.

Japan has also made plans to establish an arbitration center in Tokyo and will conduct further analysis on the benefits of adopting arbitration as an alternative means for conflict resolution.

Legislative Changes

New Zealand amended the Construction Contracts Act 2002, which require that the retention money held by a party under a construction contract to be highly liquid. In addition, it provides greater clarity on the retention money claimant procedure by creditors.

The implementation of Chile's changes to its insolvency laws prevents creditors from terminating contracts should debtors become insolvent. This reform makes insolvency and bankruptcy procedures more flexible and encourages insolvent companies to go through judicial reorganization.

Sources:

- Mondaq; "Canada: Canadian Arbitration And Commercial Litigation Update" 26 October 2017; <http://www.mondaq.com/canada/x/640462/Arbitration+Dispute+Resolution/Canadian+arbitration+and+commercial+litigation+update>
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Box 7: Alternative Dispute Resolutions

Alternative Dispute Resolutions (ADR) provide individuals and firms with an increased number of choices to resolve disputes away from courts. The benefits from the use of ADRs have been classified by World Bank (2011a) into 3 categories: 1) individual; 2) private sector; and 3) institutional.

The individual benefits of using ADRs relate to the savings on time and cost. In addition, some types of ADRs ensure that decision making power remains with the individuals involved in the dispute (e.g. mediation). Hann and Baar (2001) found that 38% of participants in non-family mediation cases in the city of Toronto, Canada noted savings of more than CAD 10,000, while an additional 34% achieved cost savings of CAD 3,000.

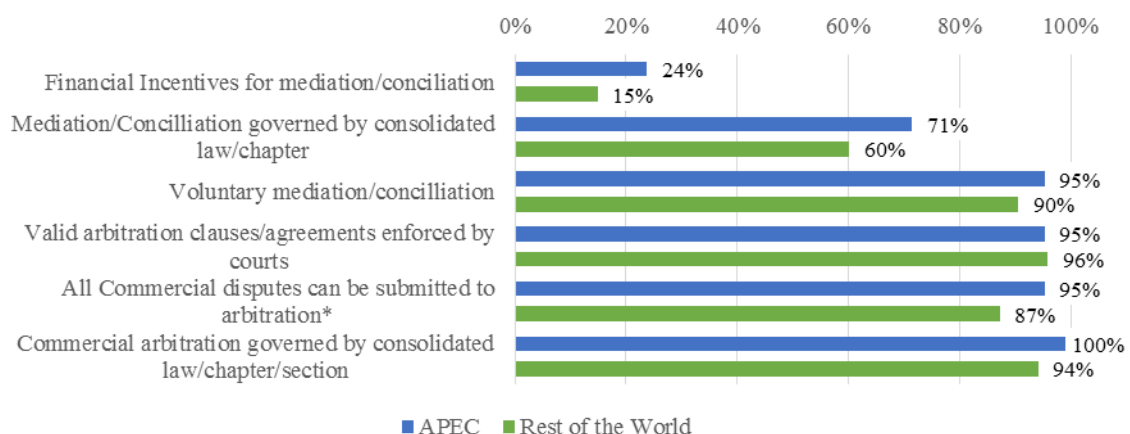
ADRs help the private sector to lower operational costs for businesses. A World Bank (2011b) study found that businesses using ADRs incurred costs of 3% to 50% lower than those relying on litigation. The lower costs in turn assists in creating a more business friendly environment.

The institutional benefit of using ADR is the reduction in the number of disputes that require legal proceedings, and a possible increase the efficiency of courts. When ADRs are available, the use of court litigation may fall. An evaluation of court times in San Mateo County Superior Court, California found that 95% of ADR participants had experienced reduced court times.

ADR in APEC

Figure 32 compares the proportion of economies within the APEC region with that of the rest of the world for several ADR features. Arbitration is available in all APEC economies and court enforcement of arbitration clauses and agreements are available in almost all economies (20 out of 21 APEC economies). Likewise, 95% of APEC economies do not restrict commercial disputes to be submitted to arbitration, a higher incidence compared to the rest of the world (87%).

Figure 32: Share of ADR features available in APEC and the Rest of the World (Year 2017)



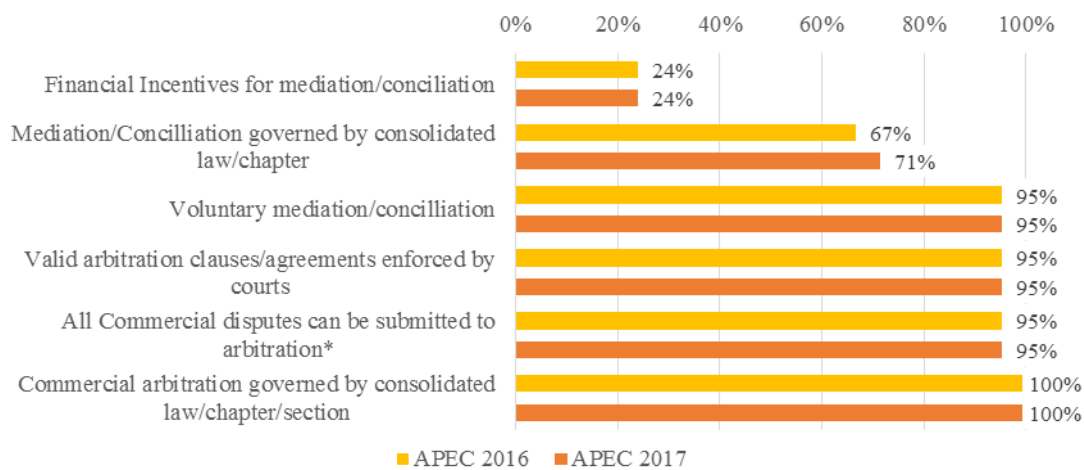
*Aside from those dealing with public order or public policy

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

Voluntary mediation and conciliation is available in 95% of APEC economies and 90% of economies in the rest of the world. However, only 71% of APEC economies and 60% of economies in the rest of the world reported that mediation and conciliation are governed by a consolidated law, chapter or section of the applicable code of civil procedure. Regarding financial incentives to attract parties attempting mediation or conciliation, this practice is not commonly used as it occurs in 24% of the APEC economies and 15% of those in the rest of the world.

While the proportion of APEC economies engaging in certain ADR practices have remained the same in 2016 and 2017, the share of APEC economies with these ADRs being governed by a consolidated law, chapter or section of the applicable code of civil procedure went up from 67% to 71%. Similarly, more APEC economies reported the use of financial incentives to engage in mediation or conciliation.

Figure 33: Share of ADR features available in APEC in 2016 and 2017



*Aside from those dealing with public order or public policy

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

Sources:

- Hann, R. G., & Baar, C. (2001). Evaluation of the Ontario Mandatory Mediation Program (Rule 24.1): Final Report – The First 23 Months. Retrieved from <http://www.ontla.on.ca/library/repository/mon/1000/10294958.pdf>
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- World Bank. (2011b). Settling Out of Court. Retrieved from <http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/282044-1307652042357/VP329-Setting-out-of-court.pdf>

Note: Survey on San Mateo County Superior Court, California Consisted of a total of 553 respondents which included attorneys, plaintiffs, defendants and 7 other participants of the ADR programme.

4. MOVING FORWARD – WHAT COMES AFTER 2018?

2018 is the final year of the Second APEC's EoDB Action Plan. As we are getting closer to the end of this initiative, APEC economies should engage in a constructive discussion to determine what can be done post-2018, building up from the achievements and lessons learnt from the two APEC EoDB Action Plans.

It is still uncertain if APEC will achieve the 10% improvement target by the end of 2018. However, the progress achieved in APEC so far has been remarkable in some areas. For example, the average number of hours to export went down from 70.2 hours to 65.6 hours between 2015 and 2017. While it is acknowledged that the indicators from World Bank's Doing Business only cover certain aspects regarding how easy or difficult is to do business, the results provide a framework that legitimizes the debate on what can be done to improve the business environment through better regulation.

Within APEC, the Ease of Doing Business initiative has formalized a space for public discussion regarding those matters. This has included the opportunity to learn from successful reform experiences and the implementation of capacity-building programs at two levels: 1) a general macro perspective of Doing Business to raise awareness on regulatory issues; and 2) a micro perspective that focuses on activities that are tailor-made to specific topics and realities facing individual economies.

ISSUES TO TAKE INTO ACCOUNT

There are several options that could be discussed by APEC members to decide on a possible post-2018 APEC agenda on doing business. One option is to continue work in the existing EoDB priority areas, since progress has been uneven across those areas and economies as well. While progress in Getting Credit and Starting a Business has been significant, other areas such as Enforcing Contracts, have not reported the same improvement levels.

Another option is to look at other areas of the World Bank's Doing Business that have not been considered in the current APEC's EoDB initiative. Areas such as Registering Property, Paying Taxes and Resolving Insolvency, among others, are also important factors that companies take into account when deciding where to do business.

A third option is to focus on an agenda going beyond the World Bank's Doing Business indicators, looking at other indicators that could complement those from Doing Business, and put further emphasis at qualitative aspects such as the sustainability of regulatory reforms through better regulation and better implementation of those reforms. In some cases, changes in the indicators may have been caused not necessarily because of the introduction of better quality regulation, but by the incorporation of new technologies in the bureaucratic process. Also, there are cases in which the emphasis in deregulation may not have achieved improved efficiency (for instance, fewer documents are required now, but it is more difficult to obtain them), or situations where changes in policies/regulations (i.e. *de jure*) have not ended in real changes (i.e. *de facto*).

Taking into account the fact that APEC economies are currently implementing the Renewed APEC Agenda for Structural Reforms (RAASR) and a substantial amount of current work by the Economic Committee falls under this initiative, APEC could come up with a post-2018 agenda on doing business, which could support APEC economies' efforts in implementing

their own RAASR Individual Action Plans. Any discussion should also consider elements such as a reasonable time period for such agenda, and whether it would be convenient to set numerical targets.

In addition, any agenda must build into capacity-building activities to facilitate the implementation of reforms. It will be important for APEC to conduct a stocktake of EoDB capacity-building initiatives organized in recent years, in order to determine which sort of activities were the most effective (and ineffective) and which areas APEC economies are interested in both conducting and receiving capacity-building. The views of champion economies and those recipient economies benefitting from those activities are going to be critical in determining the way forward post-2018.

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http://mddb.apec.org/Documents/2015/EC/WKSP4/15_ec_wksp4_003.pdf

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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 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 ones⁹:

- 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 (hours)
 - b) Cost to Export, documentation + border compliance (USD per container)
 - c) Time to Import, documentation + border compliance (hours)
 - 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

⁹ The definition of each EoDB indicator and the components of the indices selected in the APEC EoDB initiative are available in the Data Notes section of the World Bank's Doing Business 2018 (pp. 70-117, <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>). Since 2016, the World Bank's Doing Business includes a gender component in Starting a Business and Enforcing Contracts indicators. However, these gender aspect is not included in the current APEC EoDB Second Action Plan, as the indicators for the years 2016 and 2017 need to be compared with the indicators for the benchmark year 2015, which does not include the gender aspect. For these reasons, when indicators are available for both men and women, the value of the indicator for each APEC economy is the single average of the values concerning men and women.

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 avg. procedures₂₀₁₇ = (# of procedures in Australia₂₀₁₇ + # of procedures in Brunei Darussalam₂₀₁₇ + + # of procedures in Viet Nam₂₀₁₇) / # of APEC economies

The APEC-wide annual rate of improvement (or decline) for the first two years of the Second APEC's EoDB Action Plan can be calculated by comparing the average value in 2017 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:

$$\text{APEC-wide rate of improvement avg. procedures}_{2015-17} = \left[\frac{(\text{APEC avg. procedures}_{2017})}{(\text{APEC avg. procedures}_{2015})} - 1 \right] \times 100$$

MEDIAN VALUES

In some indicators, the indication of the possible 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 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. 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 time to import in each of the 21 APEC members:

APEC: Time to Import (Hours, Year 2017)

Position	Hours
1 st	3
2 nd	7
3 rd	9
4 th	20
5 th	26
6 th	36
7 th	43
8 th	43
9 th	51
10 th	54
11 th	62
12 th	79
13 th	81
14 th	90
15 th	132
16 th	144
17 th	158

18 th	168
19 th	180
20 th	192
21 st	219
Average	86
Median	62

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 21st position (219 hours) pushed up the average value. Eight APEC members had longer average time to import than the APEC's average time equivalent to 86 hours. On the contrary, APEC's median cost (62 hours) was not affected by the extreme value in the 21st position (219 hours), 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:

$$\text{APEC median time to import}_{2017} = 11^{\text{th}} \text{ shortest time by an APEC member to import in 2017}$$

The comparison of APEC median values in 2015 and 2017 provides another way to measure improvement (or decline) in APEC's priority areas during the first two years of the Second APEC's EoDB Action Plan. Following the example of the APEC median time to import, the APEC-wide rate of improvement is:

$$\text{APEC-wide rate of improvement median} = \left[\frac{(\text{APEC median time to import}_{2017})}{(\text{APEC median time to import}_{2015})} - 1 \right] \times 100$$

DISTANCE TO FRONTIER

In the case of the indicators represented by indices, the annual rate of improvement in 2017 is not calculated by comparing the indices' scores from 2015 and 2017. 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 7.4 points in 2016. The DTF for year 2016 is equal to 4.6 points and it is calculated as follows:

$$\text{APEC average DTF Strength of Legal Rights Index}_{2017} = \text{Maximum possible score of the Strength of Legal Rights Index} - \text{APEC average Strength of Legal Rights Index}_{2016}$$

$$\text{APEC average DTF Strength of Legal Rights Index}_{2017} = 12 - 7.4 = 4.6$$

In 2015, APEC's average value of the Strength of Legal Rights Index was equal to 6.5 points. Therefore, APEC's average DTF for the Strength of Legal Rights Index was equivalent to 5.5 points (12 – 6.5 = 5.5 points).

The APEC-wide rate of improvement of this indicator in year 2017 was calculated by comparing the average DTF values in APEC from 2015 and 2017:

$$\text{APEC-wide rate of improvement average} = \left[\frac{(\text{APEC average DTF Strength of Legal Rights Index}_{2017})}{(\text{APEC average DTF Strength of Legal Rights Index}_{2015})} - 1 \right] \times 100$$

$$\text{APEC-wide rate of improvement average} = \left[\frac{4.6}{5.5} - 1 \right] \times 100 = -17.2\%.$$

APEC's average DTF in this indicator fell by 17.2% between 2015 and 2017. This means that APEC's average value of this index is 17.2% 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 74.3% to 77.4% of the adult population between 2015 and 2017. Since the maximum possible value of the indicator is 100% of the adult population, then the APEC DTF for this indicator was equivalent to $100\% - 77.4\% = 22.6\%$ of the adult population in 2017 and $100\% - 74.3\% = 25.7\%$ 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 show 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 18 APEC economies, 7 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, Indonesia reported that the credit information coverage was equal to 55.3% of the adult population in public credit registries and 18.3% in private credit bureaus in 2017. For that year, the indicator in the assessment for Indonesia took the highest value of 55.3% 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 2015-2017 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:

$$\text{APEC-wide rate of improvement Starting a Business 2015-17} = \frac{(\text{APEC-wide rate of improvement avg. procedures}_{2015-17} + \text{APEC-wide rate of improvement avg. time}_{2015-17} + \text{APEC-wide rate of improvement avg. cost}_{2015-17})}{\# \text{ of indicators}}$$

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 median 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 three indicators that are part of this priority area:

$$\text{APEC-wide rate of improvement Starting a Business 2015-17} = \frac{(\text{APEC-wide rate of improvement median procedures}_{2015-17} + \text{APEC-wide rate of improvement median time}_{2015-17} + \text{APEC-wide rate of improvement median cost}_{2015-17})}{\# \text{ of indicators}}$$

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 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:

$$\text{APEC-wide rate of improvement EoDB 2015-17} = \frac{(\text{APEC-wide rate of improvement Starting a Business}_{2015-17} + \text{APEC-wide rate of improvement Dealing with Construction Permits}_{2015-17} + \text{APEC-wide rate of improvement Getting Credit}_{2015-17} + \text{APEC-wide rate of improvement Trading Across Borders}_{2015-17} + \text{APEC-wide rate of improvement Enforcing Contracts}_{2015-17})}{\# \text{ of priority areas}}$$

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 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 important¹⁰.

¹⁰ 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.