



**Asia-Pacific  
Economic Cooperation**

# **APEC Economic Policy Report**

APEC Economic Committee

# 2011

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

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# Attachments

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## **Update of Ease of Doing Business (EoDB) Action Plan- Progress of Phase 1 Programmes and Phase 2 Diagnostics**

### **Objective**

This short note updates senior officials on the progress of the EoDB Action Plan in improving the regional business environment.

### **Background**

In 2009, APEC leaders supported the new APEC initiative on the EoDB Action Plan. Compared against the benchmark year of 2009, the Action Plan aims to achieve the aspirational target of making it 25 percent cheaper, faster and easier to do business in the region by 2015, with an interim target of a 5 percent improvement by 2011. The targets set are for APEC as a whole (rather than for individual economies), and the focus is on improvements in absolute terms (e.g. the reduction in the costs and the number of days for starting a business).

Following the discussion within APEC, the World Bank's Doing Business indicators<sup>1</sup> were chosen to measure improvements in regulatory reform. The indicators track regulatory burdens affecting ten stages of a company's business activities, and provide quantitative measures of this burden. Based on feedback from both governments and businesses, five priority areas were selected for the EoDB Action Plan, namely: starting a business, getting credit, enforcing contracts, trading across borders and dealing with permits. To help APEC economies meet the aspirational targets, several Champion Economies have stepped forward to build capacity in these five areas. The capacity building programmes were to be carried out in two phases.

### **Progress of the Phase 1 Programmes**

For Phase 1, Champion Economies conducted seminars and workshops to share experience and raise awareness of best practices with member economies. Participants of the workshops were mostly lead practitioners from relevant line agencies who are in the position to implement changes and improve their economies' performance in the priority areas. Through these workshops, the practitioners can have a better understanding of the strategies to designing and implementing successful reforms. This will change mindsets and help member economies in their reform efforts, thus allowing the APEC region as a whole to advance towards the aspirational targets.

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<sup>1</sup> The World Bank's Doing Business index identifies the burdens imposed by government requirements on business transactions, and provides quantitative measures of this burden. They track regulatory burdens affecting 10 stages of a company's business activities. They are: starting a business, registering property, dealing with permits, accessing credit, employing workers, enforcing contracts, protecting Investors, trading across borders, paying taxes, and closing a business. The Doing Business methodology is based on specific assumptions about the company that is being affected. For instance, where relevant, the methodology assumes that the company is a private, limited liability company that operates in the largest business city in the economy (Source: 2009 APER).

Hitherto, all the Champion Economies have commenced Phase 1 of the EoDB Action Plan and have held capacity building programmes to support regulatory reforms in the five priority areas (Please see Table below).

Workshop	Champion Economy	Venue	Date
Reducing Start-up and Establishment Time of Businesses	US and New Zealand	Hiroshima	1-2 Mar 2010
Enforcing Contracts	Korea	Seoul	21-22 Jun 2010
Trading Across Borders	Singapore and Hong Kong, China	Sendai	18-19 Sep 2010
Getting Credit for Small and Medium Enterprises	Japan	Sendai	21 Sep 2010
APEC Seminar on the First Steps of Successful Reform in Doing Business	US, New Zealand, Japan, Singapore	Taipei	5-6 Oct 2010
Reforming the Regulatory System for Construction Permits	Singapore	Singapore	18-22 Oct 2010

## Achievements and Lessons Learnt

The following highlights four workshops where the progress updates are ready.

### *Reducing Start-up and Establishment Time of Businesses*

The US and New Zealand co-organised a two-day workshop on Reducing Start-up and Establishment Time of Businesses in Hiroshima on 1-2 March 2010. 78 participants from all 21 APEC economies took part in the workshop. On the first day of the workshop, there were four case study presentations on the business registry systems by APEC economies and three presentations by the private sector (i.e. business association, women's business leader, and USAID project in Viet Nam) describing their perspective of on-the-ground challenges. On the second day, breakout sessions were organised and participants had the opportunity to discuss issues with three lead practitioners in a small group dynamics.

Participants agreed that each APEC economy faces different challenges in implementing reforms related to reducing the start-up and establishment of businesses. Over two days, participants and speakers shared information on approaches their governments were taking to address business start up procedures, recognizing that solutions are not one-size fits all because of the diversity in economic and political circumstances and the wide variation in procedures. The group overall agreed that reducing the time and costs to start a business can have important benefits for APEC economies and for employment, as well as reducing burdens on overwrought registrars and improving the confidence of potential business people by easing the procedural barriers.

### *Enforcing Contracts*

Korea held a two-day workshop on Enforcing Contracts in Seoul on 21-22 June 2010. The event was attended by representatives from 15 APEC economies. Majority of the participants came from the legal field, but there were also economics and policy experts from the relevant Ministries. On the first day of the workshop, there were presentations by World Bank on the Enforcing Contracts indicator, as well as case studies of the reform experience of several APEC economies. On the second day of the workshop, experts and moderators led breakout sessions on three different topics for a more in depth discussion. The three topics are: doing business index and the relevant reform efforts, the social, economic and legal factors, and the role of IT in improving the judicial systems.

Participants were generally satisfied with the workshop. From the two-day workshop, the participants learnt that even though the judicial system and reforms may differ from region to region, judicial reforms are needed to improve the business environment. Moreover, the overall direction for the reform should aim at making the procedures less costly, more accessible and more efficient. At the initial stages of the reform, there might be challenges and objections from various stakeholders. However, once the success of the initial reforms can be demonstrated, the reform activities will be able to proceed in a smoother manner.

#### *Getting Credit for Small and Medium Enterprises*

Japan held a one-day workshop on Getting Credit for small and medium enterprises in Sendai on 21 September 2010. The event was attended by 71 participants from 19 APEC economies. There was a good mix of presentations by experts from the World Bank, the financial and legal sectors, as well as the research institutes.

From the workshop, participants learnt that good legal infrastructure and credit information allowed SMEs to efficiently obtain credit and grow, while avoiding potential moral hazards from more direct government assistance programs. With regard to legal infrastructure, participants agreed that they should work towards an environment where security interests in all kinds of SME assets, including receivables and inventory, along with a unified and certain credit registry system are acceptable. There was also broad consensus among participants that positive<sup>2</sup> and negative credit information should be available cheaply and efficiently.

#### *APEC Seminar on the First Steps of Successful Reform in Doing Business*

To complement the work of the champion economies, Chinese Taipei held a successful two-day seminar in Taipei on 5-6 October 2010. This workshop offered a useful perspective to reform-minded economies on how to take first steps of reform in the three priority areas of Starting a Business, Getting Credit, and Dealing with Construction Permits. The workshop focused on examining strategies for enhancing the business environment, and sharing various aspects of how examples of successful interim reform were achieved.

There was broad consensus among participants that although the EoDB indicators are not perfect, the comparison across economies would be helpful in discovering regulatory and administrative weak points of individual economies. While some economies were concerned their progress was not reflected in the indicators, many economies were encouraged by the World Bank's recognition of their reforms. All participants agreed that real progress in improving the environment for doing business matters, whether ranking positions move upwards or not.

One recommended reform identified by participants was the "one-stop on-line service center," in particular in the area of "Dealing with Construction Permits." Via a single website, procedures for registration, payment of fees, insurance, inspections, etc. were integrated and completed. Such on-line services help to reduce travel time and processing delays, lessen the discretion of officials, and increase transparency. By standardizing documentation and procedures as well as minimizing the impact of geographical distance, the application of ICT also provides more equal opportunities to all. It should be noted, however, that e-government services need to be supported with improvement in ICT access and ICT literacy.

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<sup>2</sup> . Positive information includes repayment history and loans which have been paid off in the past, as well as those where repayment is on-going and on time. Negative information is missed payments, bankruptcy, etc.

On top of targets, means, and prescribed changes, participants broadly agreed that it was essential that the EoDB reform agenda had high-level commitment, the capability to convince competent authorities to adopt changes, the support of legislators and the passion and the perseverance of the government officials coordinating the reforms. Hence, there could be broader outreach aimed at promoting public awareness of the need to reform and build consensus, in addition to technical capacity building programs. This outreach could be in the form of more workshops, seminars, roundtables conducted for APEC economies which would help to achieve both aims (i.e. winning support and technical capacity building) of the outreach programmes.

### **Phase 2 of the EoDB Action Plan**

APEC economies seeking to reform their systems have also expressed strong interest to take part in Phase 2 of the EoDB Action Plan. As each APEC economy has unique regulatory challenges, Phase 2 programmes would involve diagnostic consultations to help participating economies highlight specific addressable problems within their systems and identify opportunities for reform in the priority areas. With the customized action plans, participating economies are then empowered to implement reforms in the identified priority area(s).

At the time of drafting, Phase 2 has already achieved some success. For the priority area of *Starting a Business*, Indonesia has already completed its diagnostics and is in the process of taking concrete steps to improve its business environment.