



**Asia-Pacific
Economic Cooperation**

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

APEC's Ease of Doing Business – Interim Assessment 2009-2014

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

APEC Policy Support Unit
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EXECUTIVE SUMMARY

Since 2011, the APEC Policy Support Unit, in collaboration with the APEC Economic Committee, has prepared annual interim assessments which measure APEC's progress regarding the APEC Ease of Doing Business (EoDB) initiative, which aims to improve APEC's performance by 25 percent in five priority areas between 2009 and 2015. The five priority areas are the following: 1) Starting a Business; 2) Dealing with Construction Permits; 3) Getting Credit; 4) Trading Across Borders; and 5) Enforcing Contracts.

This report analyzes the accumulated progress by the APEC region during the period 2009-2014. Using the World Bank's database, the interim assessment shows that APEC has made continuous overall progress in the EoDB initiative since 2009. During the period 2009-2014, APEC's combined improvement across all five EoDB priority areas was equal to 12.7 percent, but progress remained below the 2014 pro-rata benchmark of 20 percent improvement.

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

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

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

* World Bank, Doing Business 2014 database

** World Bank, Doing Business 2015 database.

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

Most of the progress was explained by the strong improvements in the Starting a Business priority area, the only area whose improvement rates were beyond the pro-rata benchmark of 20 percent. Dealing with Construction Permits and Getting Credit also showed a moderate improvement between 2009 and 2014. However, in the case of Dealing with Construction Permits, APEC's performance in 2014 declined in almost 5 percentage points in comparison to 2013. In contrast, progress was limited in Trading Across Borders and frail in Enforcing Contracts.

APEC's collective progress was slightly uneven among its members, since the median values of APEC's EoDB indicators showed a combined improvement in all priority areas equivalent to 12.4 percent between 2009 and 2014, which is below the 12.7 percent progress rate measured by average values. Similarly, Starting a Business was the priority area with the greatest improvement in median values, with a progress rate of 27.2 percent, above the 20 pro rata benchmark. Dealing with Construction Permits also reported a substantial improvement in their median indicators, especially last year, which means that progress in this area is becoming more balanced across APEC economies.

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

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

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

* World Bank, Doing Business 2014 database

** World Bank, Doing Business 2015 database.

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

The comparison of APEC's overall progress with their pro-rata benchmarks across time shows that the APEC is not keeping the pace to achieve the 25 percent improvement target by 2015, as recent years show an increase of this gap. This makes it unlikely for APEC to close the gap and meet the aforementioned target by the end of 2015.

Despite not being able to meet their pro-rata targets so far, APEC's collective improvement of 12.7 percent, measured by the average values, and 12.4 percent, measured by the median values, was respectable. In fact, this report shows that APEC's progress *vis-à-vis* that of the rest of the world was remarkable. However, more work can be done to make progress stronger and widely spread across all APEC economies, since the differences among APEC economies are still significant in a number of indicators. For example, the cost to export a container in the APEC region ranged from USD 460 to USD 2,705 in 2014.

In order to continue making progress, APEC economies need to intensify their efforts to implement reforms to make it easier, faster and cheaper to do business. It is important for APEC to continue with capacity-building activities in order to improve the skills of government officials, raise awareness on the importance of an efficient regulatory framework, identify best practices and promote the implementation of regulatory and structural reforms.

The APEC's EoDB initiative has been assisting APEC members with capacity-building activities such as the organization of specialized seminars and training workshops, the preparation of diagnostic studies, the realization of field visits, and the provision of technical assistance. According to APEC economies, these activities have been very useful in many ways such as references for policy formulation; and as a background to get a better understanding of certain topics; among others. In this regard, APEC should continue discussions to extend the EoDB initiative beyond 2015.

INTRODUCTION: APEC's EASE OF DOING BUSINESS

HISTORY

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

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

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

The EoDB initiative also includes capacity-building programs in order to assist APEC member economies in their efforts to improve their business environment. APEC's EoDB capacity-building activities to date have proceeded in two phases:

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

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

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

TARGET FOR 2015

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

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

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

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

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

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

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

INTERIM ASSESSMENT MEASUREMENT APPROACH

The report seeks to establish if APEC collectively has met the interim pro-rata target of 20 percent improvement by 2014. APEC annual average values were calculated for each of the EoDB priority areas' sub-indicators. Averages for year 2014 were compared against those of 2009 to assess APEC's accumulated progress in the EoDB initiative.

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

³ APEC (2009), op. cit.

⁴ Ibid.

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

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

This year's report includes two changes in comparison to previous years' assessments. First, the report put emphasis on the remaining gaps for APEC to achieve the 25 percent improvement target. The performance of the APEC region is only compared across time (2009 vs 2014) and *vis-à-vis* with the rest of the world.

Second, the methodology to calculate improvement rates in the Getting Credit priority area has been adjusted due to changes in the World Bank's methodology to calculate two Doing Business indicators: the strength of legal rights index and the depth of credit information index. More details on the methodological changes can be found in Appendix.⁷

⁷ The improvement rate for Getting Credit indicators is obtained by dividing the difference between the values obtained in the earliest and latest years by the difference between the maximum and minimum possible values.

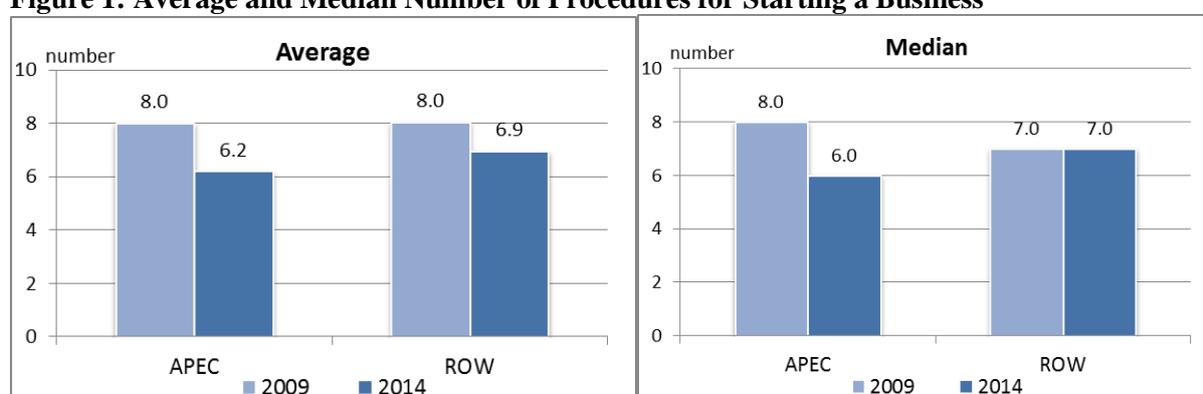
1. APEC'S IMPROVEMENTS BY PRIORITY AREAS

A. Starting a Business

Starting a Business remains to be the top performing area for APEC under the EoDB initiative.

The average number of procedures required to start a business in the APEC region fell from eight in 2009 to around six in 2014. The improvement was broadly-based, as 13 out of 21 APEC member economies posted less number of procedures in 2014 in comparison to 2009. These APEC economies reduced their number of procedures by almost three, on average. APEC's progress was equally remarkable in median values, in particular when rest of the world did not show any improvement during the same period (See Figure 1).

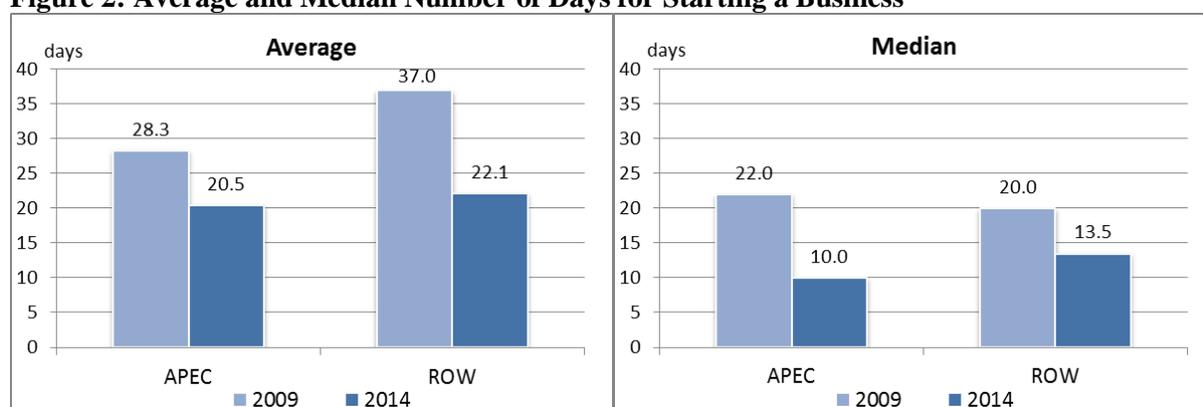
Figure 1: Average and Median Number of Procedures for Starting a Business



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

APEC economies also reduced the average number of days to start a business from around 28 in 2009 to 20 in 2014. 16 out of 21 member economies reported shorter times with on average 10 days less in 2014. Notably APEC economies from the South American region posted stellar progress. In terms of median values, the APEC region's improvement was more pronounced with number of days required falling to more than half from 2009's 22 to only 10 days in 2014, which indicates that the improvement took place across the board. However, significant differences among APEC economies remain in terms of the time required to start a business, since it ranged from half a day to 101 days in 2014.

Figure 2: Average and Median Number of Days for Starting a Business



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

Box 1. Facilitating the Procedures to Start a Business

APEC economies continued to make encouraging progress in easing the processes to start a business. Selected examples to illustrate these improvements include China; Indonesia; Philippines; Russia and United States.

China scrapped the capital requirement to start a business in some sectors with previous requirement of capital as high as 100,000 yuan (USD 16,500), 30,000 yuan (USD 5,000) and 5 million yuan (USD 825,000) for self-proprietorships, limited liability companies and corporations, respectively. China also eliminated the prerequisite of obtaining a capital verification report from an auditing firm before starting a business.

Indonesia started to allow the Ministry of Law and Human Rights to issue electronic approval letters for the purpose of establishing a business. The new legislation aimed to accelerate the process of validating a legal entity and approving amendments of any company's articles of association between partners through online media.

Philippines has been reducing the time and cost to start a business. An inter-agency Task Force on Ease of Doing Business is designing a "Gameplan for Competitiveness" to initiate reforms and promote entrepreneurship, especially on the aspects of removing administrative barriers and strengthening laws.

Russia eliminated the requirement of depositing charter capital prior to company registration. The requirement to notify tax authorities when opening a bank account was also abolished.

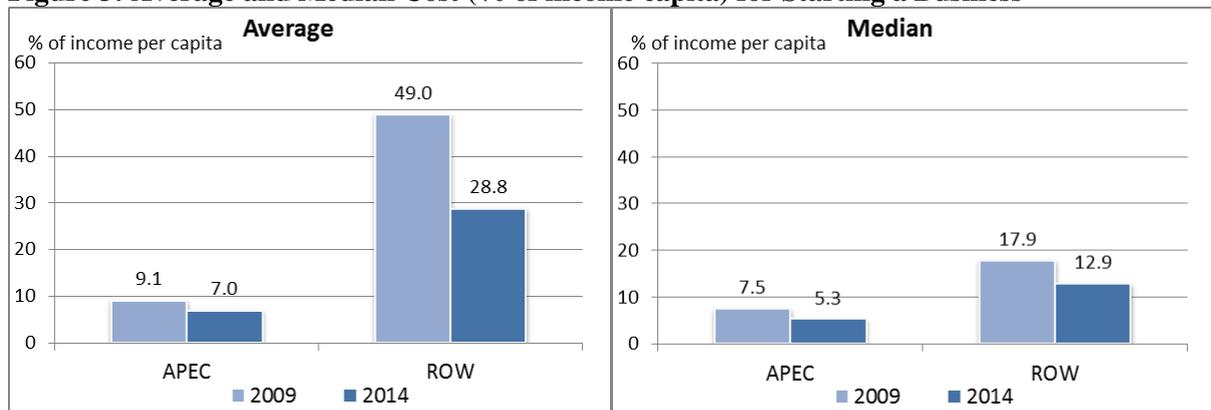
While the United States already has a favourable business environment, it continued to ease the process by speeding up online procedures for starting a business in New York City.

Sources:

- World Bank; "Business Reforms for Starting a Business"; <http://www.doingbusiness.org/reforms/overview/topic/starting-a-business>
- Reuters; "China Relaxes Capital Requirements for Some Firms to Cut Red Tape"; Feb 2014; <http://www.reuters.com/article/2014/02/19/china-reforms-capital-idUSL3N0LO0G720140219>
- National Competitiveness Council of Philippines; "Philippines Climbs 13 Notches in Doing Business Report"; January 2015; <http://www.competitive.org.ph/node/1013>
- St. Petersburg International Economic Forum; "Russia has moved up to 62nd place from 92nd last year in the new Doing Business Report"; October 2014; <http://www.forumspb.com/en/2015/sections/22/materials/196/news/231>
- RT; "#62: Russia Jumps Record 30 Places in 'Doing Business' Ranking"; October 2014; <http://rt.com/business/200383-russia-doing-business-ranking/>
- Indonesia Company Law.com; "New Procedures for Validating a Legal Entity, Approving an Amendment of Article of Association and Company's Data"; March 2014; <http://www.indonesiacompanylaw.com/2014/05/30/new-procedures-for-validating-a-legal-entity-approving-an-amendment-of-article-of-association-and-companys-data/>

The cost for starting a business in APEC region, measured as a percentage of the income per capita, decreased from nine to seven percent between 2009 and 2014. The average cost in APEC was much lower than that for the rest of the world. 17 out of 21 APEC economies reported lower cost and on average they reduced the cost by three percent of their income per capita. Similarly, the cost measured in median values fell by more than two percent to around five percent in 2014. Figure 3 shows that the average cost to start a business in APEC has been much lower than that for the rest of the world.

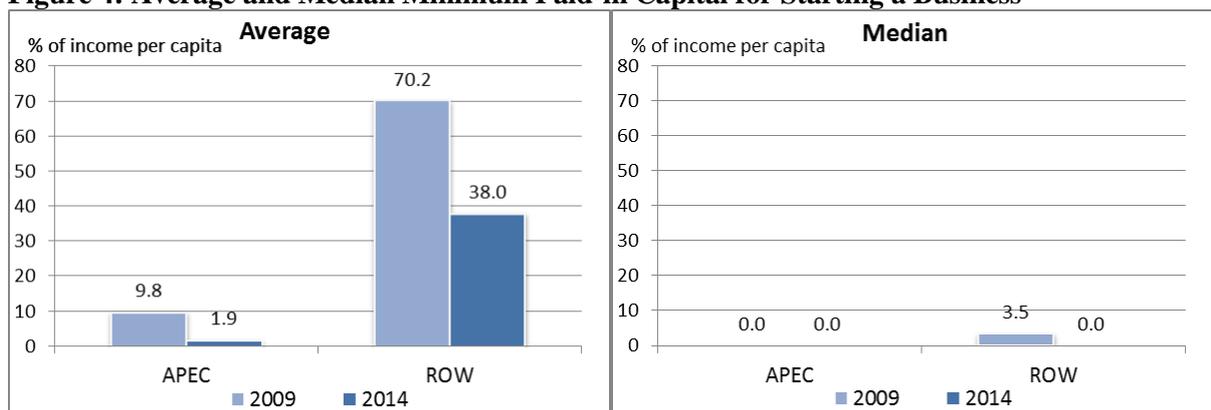
Figure 3: Average and Median Cost (% of income capita) for Starting a Business



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

The average minimum capital requirement in APEC region was already low compared to that of the rest of the world in 2009 and this has been further reduced to continue encouraging entrepreneurship. In 2014, only two economies in APEC required on minimum paid-in capital while 41 percent of economies in the rest of the world required some minimum paid-in capital. The median value for required capital for APEC has always been zero. During the period 2009 to 2014, three APEC economies abolished this capital requirement. For the rest of the world, 46 percent of the economies did not require paid-in capital in 2009 and this has increased to 59 percent in 2014.

Figure 4: Average and Median Minimum Paid-in Capital for Starting a Business

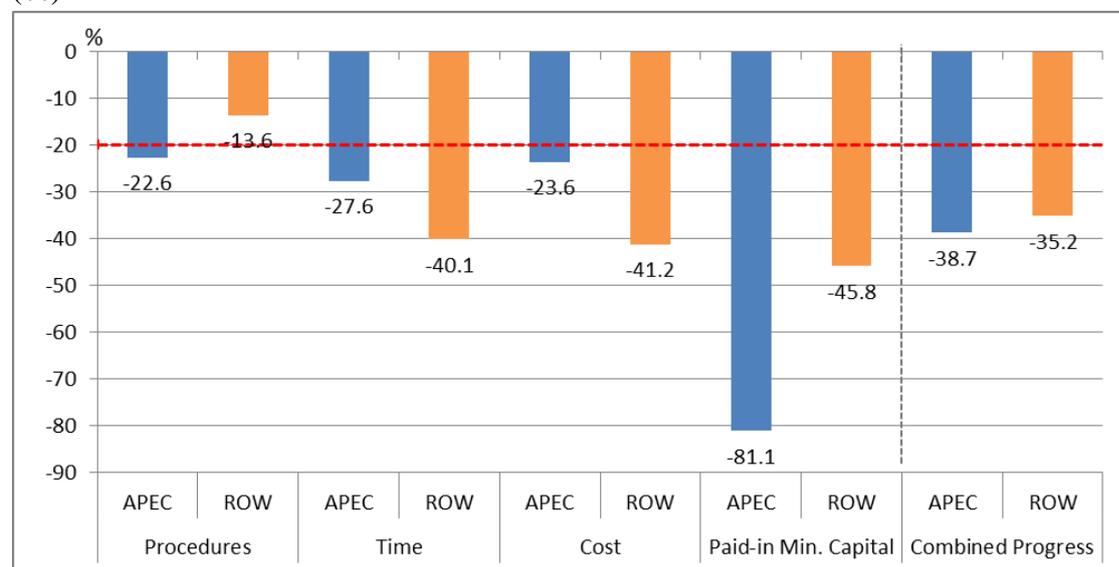


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

As seen, the APEC region has posted impressive progress in this priority area. In 2014, all four Starting a Business indicators improved by more than the 20 percent pro-rata target in their average values. From 2009 to 2014, the combined improvement of these four indicators was equal to 39.7 percent, greater than the 35.2 percent recorded by the rest of the world.

In particular, the minimum paid-in capital required to start a business exhibited remarkable progress in APEC – 19 out of 21 APEC economies now do not require any paid-in capital for new business registration, and its average value went down eight percent between 2009 and 2014.

Figure 5: Change in Average Values for Starting a Business Indicators between 2009 and 2014 (%)



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

Note: Improvements are shown with negative values.

Economies from the rest of the world also exhibited strong improvement in the area of Starting a Business, evidenced by the fact that three out of the four indicators also met the 20 percent pro-rata improvement target by 2014.

Table 1 shows that APEC has already achieved the 25 percent improvement target for 2015 in two of the four Starting a Business average indicators (time and paid-in minimum capital). For the other two, the remaining gap is minor and it is very likely to achieve it by the end of 2015.

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

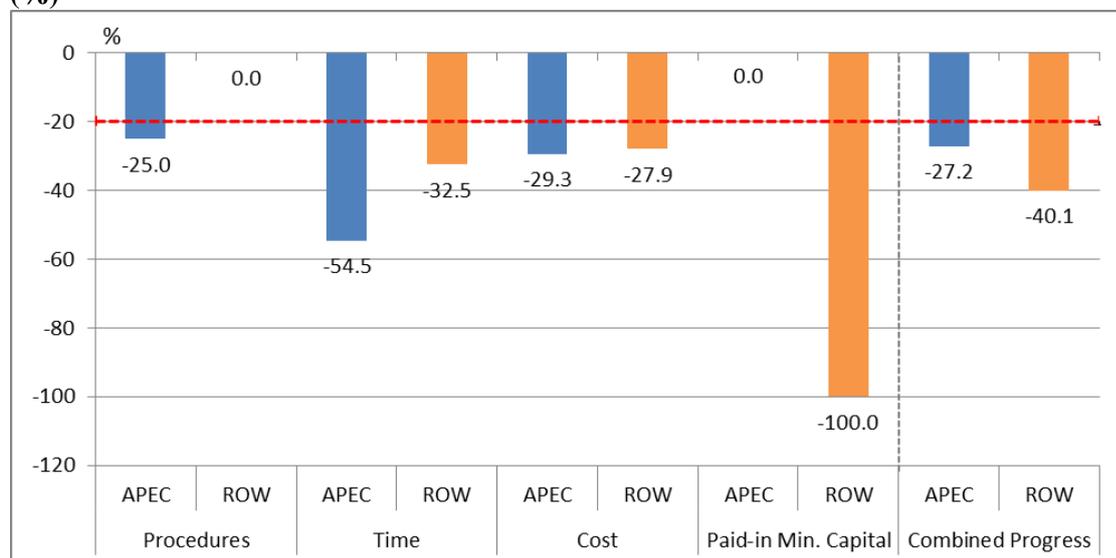
Mean	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in Min. Capital (% of income per capita)
Current Situation (2014)	6.2	20.5	7.0	1.9
Overall Target (25% Improvement) by 2015	6.0	21.0	6.9	7.4
Gap to Achieve 2015 Target (APEC Region)	0.2	Target Achieved	0.1	Target Achieved

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

From the median perspective, the time to start a business posted the most significant improvement in the APEC region by falling in 54.5 percent between 2009 and 2014. This was explained by the broadly-based improvement in majority of the member economies. Figure 6 shows that APEC achieved the pro-rata improvement target of 20 percent in three

Starting a Business indicators (procedures, time and cost). In the case of the paid-in minimum capital requirement, APEC median was equal to zero during the period of evaluation. This is due to the fact that more than half of APEC economies were already not imposing any minimum capital requirement back in 2009.

Figure 6: Change in Median Values for Starting a Business Indicators between 2009 and 2014 (%)



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

Note: Improvements are shown with negative values.

APEC economies have already achieved its overall 25 percent improvement target for 2015 in all Starting a Business indicators measured by the median values. This, together with progression observed from the average values, shows that the improvement among APEC economies took place in a wide range of member economies.

In terms of improvement measured by median values, APEC economies were also on par with the 20 percent benchmark target for 2014. Reduction in the time taken to start a business was the main contributor to the improvement. The number of days required in 2014 has halved in comparison to 2009's 22 days. APEC's overall improvement in median values was 27.2 percent, lagged behind the rest of the world's 40.1 percent.

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

Median	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in Min. Capital (% of income per capita)
Current Situation (2014)	6.0	10.0	5.3	0.0
Overall Target (25% Improvement) by 2015	6.0	16.5	5.6	0.0
Gap to Achieve the 2015 Target	Target Achieved	Target Achieved	Target Achieved	Target Achieved

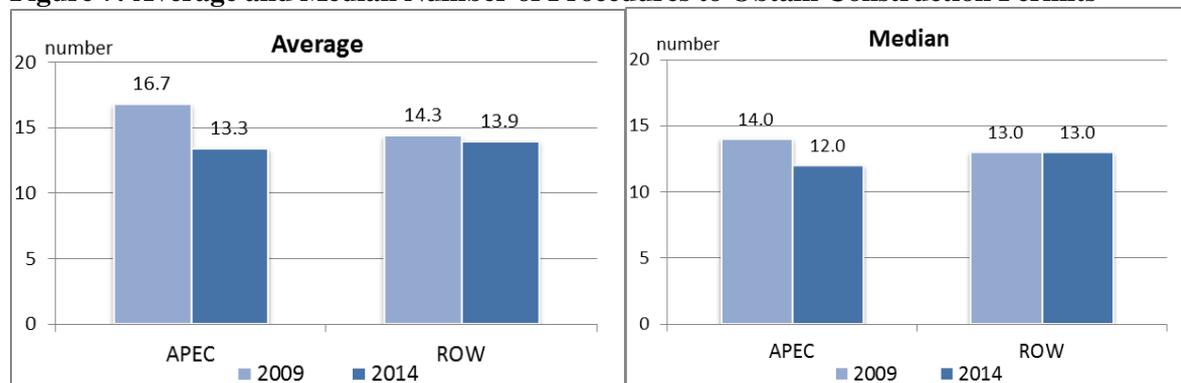
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

B. Dealing with Construction Permits

Under this priority area, two out of three indicators, namely the number of procedures and the time to obtain a construction permit, improved more than 20 percent between 2009 and 2014, which is beyond the pro-rata benchmark target for this period. However, due to the lack of progress in the cost to obtain a permit, the overall progress in this priority slightly fell short of the pro-rata improvement target of 20 percent.

Compared to the rest of the world, the average number of procedures required to obtain a construction permit in APEC fell by a larger extent between 2009 and 2014 as shown in Figure 7. The reduction was largely led by improvements in four APEC member economies, which cut their respective number of procedures by more than one-third during this time. On average, eight APEC economies reduced their procedures by nine. In terms of median values, the improvement in APEC was evident, as opposed to the rest of the world, which did not show any change in this indicator.

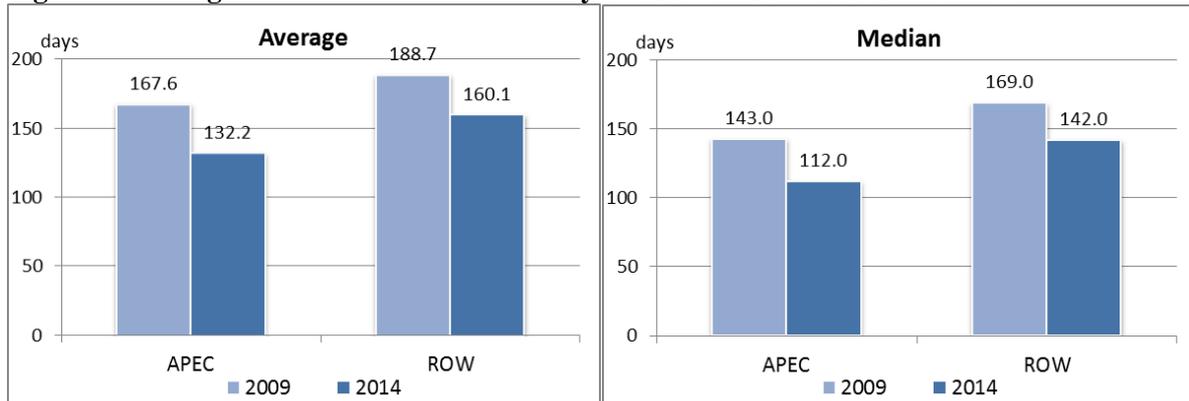
Figure 7: Average and Median Number of Procedures to Obtain Construction Permits



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

The average number of days required to get construction permits fell by around 35 days in APEC from 2009 to 2014 with half of the member economies reported a shorter time required. On average, these 11 APEC economies shortened their time by more than two months. Two economies reported significant progress by decreasing the required time by more than six months. The progress measured by median values was equally impressive. Moreover, the gap within APEC economies has narrowed – the difference in number of days between the best and worst performing member economy in this indicator shrank from 549 days in 2009 to 248 days in 2014.

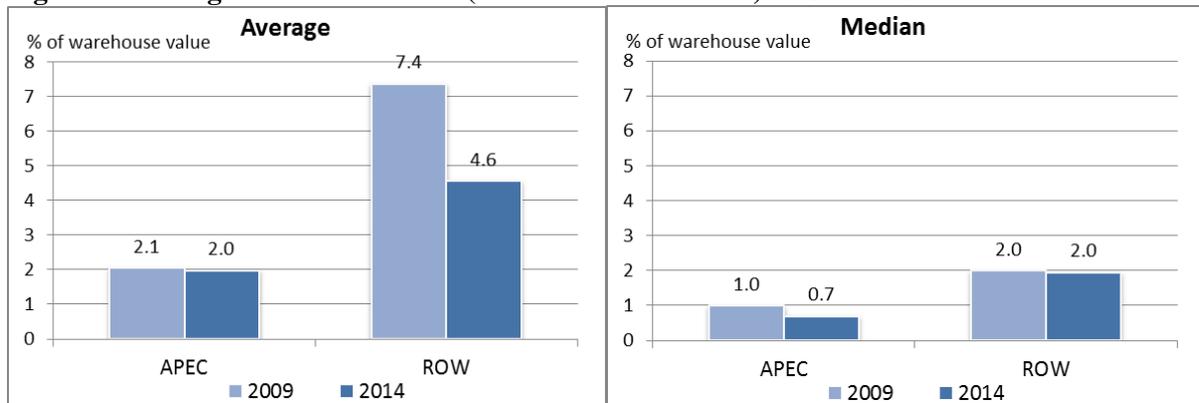
Figure 8: Average and Median Number of Days to Obtain Construction Permits



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

The average cost to obtain a construction permit measured as a percentage of warehouse value dropped marginally in APEC. This occurred because ten APEC member economies reported lower costs in 2014 compared to 2009, but seven economies posted higher costs instead. However, despite the dismal improvement, the average and median cost of obtaining construction permit in APEC is still much lower than that of the rest of the world. Within APEC, the differences in the cost to obtain a construction permit among economies are significant: one economy posted a double-digit cost measured as percentage of warehouse value, while 12 member economies had values equivalent to less than one percent of warehouse value in 2014.

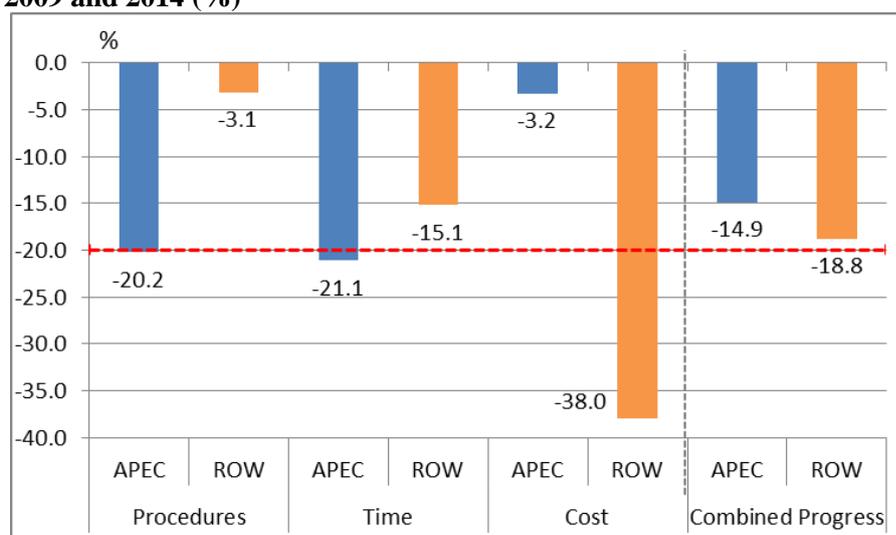
Figure 9: Average and Median Cost (% of warehouse value) to Obtain Construction Permits



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

As shown in Figure 10, APEC economies' combined improvement rate fell short of the 20 percent pro-rata target by 2014 in this priority area due to the lack of progress in reducing the cost to obtain permits. APEC economies outperformed the rest of the world in reducing the average number of procedures and the number of days required to obtain a construction permit in percentage terms.

Figure 10: Change in Average Values for Obtaining Construction Permits Indicators between 2009 and 2014 (%)



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

Note: Improvements are shown with negative values.

The average values of all three Dealing with Construction Permits indicators are still short of the 25 percent improvement target for 2015 in APEC. While two of them, the number of procedures and days, are close to meeting this target; achieving the targeted cost by the end of 2015 will be very challenging. Table 3 shows that the remaining gap for the number of procedures and days is very small in proportion to their current average values. On the opposite, the gap for the cost to obtain a construction permit is relatively large in proportion to its current APEC average value.

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

Mean	Procedures (number)	Time (days)	Cost (% of warehouse value)
Current Situation (2014)	13.3	132.2	2.0
Overall Target (25% Improvement) by 2015	12.5	125.7	1.5
Gap to Achieve 2015 Target (APEC Region)	0.8	6.6	0.5

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

Box 2. Easing the Process of Obtaining Construction Permits

Overall, APEC economies continued to ease the process of dealing with construction permits. The following examples illustrate improvements in Brunei Darussalam; Malaysia; Peru and Thailand.

Brunei Darussalam consolidated the final inspections to approve construction permits in an easier way. Nowadays, businesses only need to wait 88 days and go through 17 procedures to get a construction permit, compared with 90 days and 19 procedures a year ago.

Malaysia shortened the time to obtain construction permits thanks to government initiatives such as the economic transformation programmes. Malaysia's joint public-private sector task force, PEMUDAH, played an active role in the implementation of these programmes.

The Peruvian government introduced an economic package with measures aimed at streamlining business permits and environmental licenses in order to speed up the process. As a result, there has been a downward pressure in the cost of obtaining construction permits.

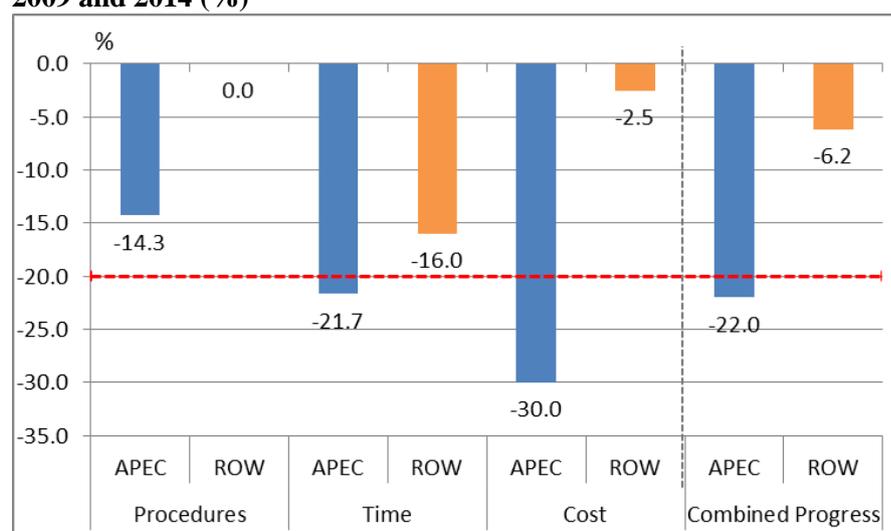
Thailand introduced a fast-track approval process for construction permits concerning small buildings. The number of days taken to deal with construction permits went down from 141 to 113 in a year's time.

Sources:

- World Bank; "Business Reforms for Dealing with Construction Permits"; <http://www.doingbusiness.org/reforms/overview/topic/dealing-with-construction-permits>
- [The Brunei Times](http://www.bt.com.bn/business-national/2014/10/30/brunei-now-101-world-bank%E2%80%99s-ease-doing-business-ranking); "Brunei Now at 101 in World Bank's Ease of Doing Business Ranking"; October 2014; <http://www.bt.com.bn/business-national/2014/10/30/brunei-now-101-world-bank%E2%80%99s-ease-doing-business-ranking>
- PEMUDAH press release; "Malaysia Further Improves the Ease of Doing Business, says World Bank"; October 2014; <http://www.pemudah.gov.my/web/guest/malaysia-further-improves-the-ease-of-doing-business-says-world-bank>
- ASEAN Briefing; "Malaysia Sees Improvement in World Bank's Ease of Doing Business Ranking"; November 2014; <http://www.aseanbriefing.com/news/2014/11/05/malaysia-sees-improvement-world-banks-ease-business-rankings.html>
- Financial Times; "Peru Seeks to Revive Economic Miracle as Supercycle Slows"; 25 September 2014; <http://www.ft.com/intl/cms/s/0/831f5402-432e-11e4-9a58-00144feabdc0.html>
- World Bank Group press release; "Thailand Further Improves the Ease of Doing Business"; October 2014; <http://www.worldbank.org/en/news/press-release/2014/10/29/thailand-further-improves-the-ease-of-doing-business-wbg-report-ranks-country-among-top-30-economies-worldwide>

The improvement measured by median values showed a better picture for APEC. In contrast to improvement measured by average values, APEC economies exhibited significant progress in reducing cost to obtain construction permits. The improvement of the median cost was largely explained by the progress shown by APEC economies that reported neither very high nor very low costs in 2009. APEC outperformed the rest of the world with a stronger improvement in percentage terms in all three median indicators. They combined for an overall improvement of 22 percent, higher than that of the rest of the world (6.2 percent).

Figure 11: Change in Median Values for Dealing with Construction Permits Indicators between 2009 and 2014 (%)



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

APEC economies have already achieved its overall 25 percent improvement target by 2015 in the median cost indicator, despite the fact that it is still relatively expensive to get a permit in a handful of member economies. The remaining gaps in the median procedures and time indicators are not very wide. However, any risk of not meeting the 2015 improvement target still exists given the progress in recent years has been minor. (i.e. the number of procedures fell by one and number of days went down by only two between 2013 to 2014.)

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

Mean	Procedures (number)	Time (days)	Cost (% of warehouse value)
Current Situation (2014)	12.0	112.0	0.7
Overall Target (25% Improvement) by 2015	10.5	107.3	0.8
Gap to Achieve 2015 Target (APEC Region)	1.5	4.8	Target Achieved

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

C. Getting Credit

This priority area looks at the existence of legal rights to secure credit transactions and the sharing of credit information among credit bureaus and credit registries. The World Bank has made some changes in the methodology to compile and calculate data in this priority area, specifically with regards to the strength of legal rights index and the depth of credit information index. Only values for years 2013 and 2014 reflect these changes to the methodology. Therefore, 2014 values are only comparable with those from 2013.

The scoring of strength of legal rights index was expanded from a range of 0 – 10 points to 0 – 12 points to incorporate additional measures reflecting good practices. The two newly-added components include having an integrated secured transaction system and having a well-functioning collateral registry. Having an integrated secured transaction system allows creditors to access more information and therefore enhance transparency. A well-functioning collateral registry is defined by many characteristics, for instance, a registry that covers any type of secured transaction or a registry with modern features such as online facilities for secured creditors to register, search, amend and cancel security interests. Such functions of collateral registry boost efficiency and increase the reliability of information.⁸

As opposed to other priority areas, higher values mean better performance in the Getting Credit indicators. The average value of strength of legal rights index in APEC improved marginally in 2014 compared to 2013 with only one APEC economy making progress. As shown in Figure 12, this indicator was higher than the rest of the world by more than one point. However, APEC's median was largely on par with the rest of the world. The values of the strength of legal rights index within APEC have been dispersed across the region, with a score of three being the lowest and 12 being the highest as of 2014.

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



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

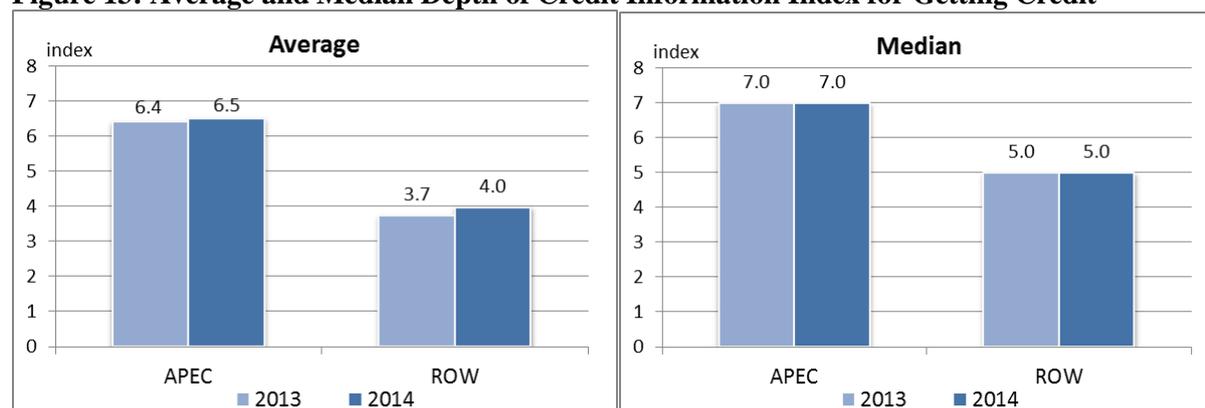
Similarly, the range of the depth of credit information index was expanded from the scale of 0 – 6 points to 0 – 8 points. With the new methodology, two more points can be awarded to economies with an online platform on credit information or available credit scores. An online platform can improve data quality and security of credit information while the availability of credit scores could improve market efficiency since it is more efficient to predict potential risks.⁹

⁸ See “Doing Business 2015: Going Beyond Efficiency”

⁹ Ibid.

APEC's average score on the depth of credit information index rose marginally by 0.1 with two member economies reporting positive progress between 2013 and 2014. APEC economies exhibited significant differences in this indicator with scores ranging from 0 to 8 points, which suggests that considerable effort is required from certain APEC member economies to enhance the accessibility and quality of credit information. APEC average and median scores were much higher than those of the rest of the world. One of the explanations resides on the scores by seven APEC member economies, which reported a maximum score of 8 points in 2014.

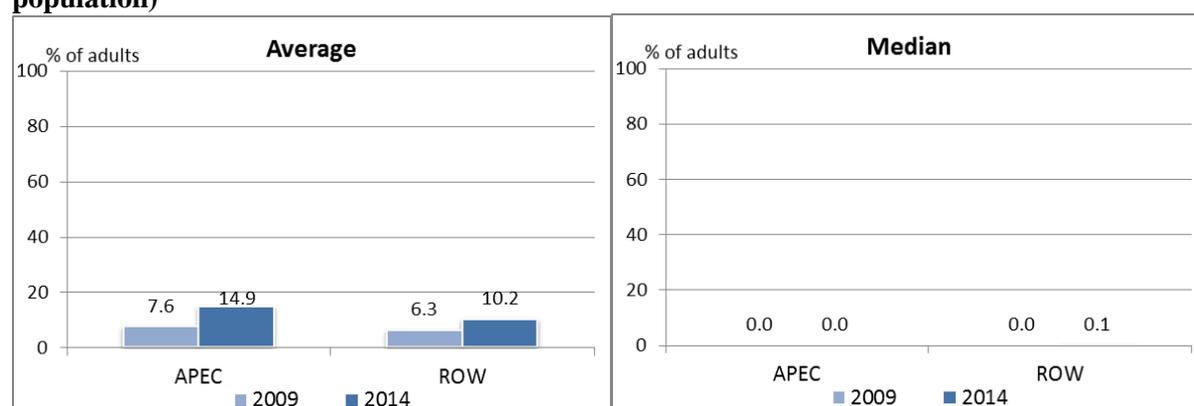
Figure 13: Average and Median Depth of Credit Information Index for Getting Credit



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

The average public credit registry coverage in APEC was higher than that of the rest of the world between 2009 and 2014. The improvement in APEC was mainly explained from seven economies which increased their coverage of credit information among the adult population by using public credit bureaus. In APEC, the median public credit registry coverage was equal to zero. This is explained by the fact that 14 APEC economies did not report the use of public credit registries to collect credit information of individuals and firms.

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



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

Box 3. Improving Credit Information Systems in APEC

Some APEC economies reported stronger credit information systems in terms of coverage, scope and accessibility in the past year. New Zealand; Chinese Taipei and Viet Nam are some of these economies that reported notable progress.

New Zealand enhanced its depth of credit information by adopting a new comprehensive reporting regime reporting both positive and negative credit information into credit reports. Lenders and utility companies will have to report not just negative credit information such as defaults, bankruptcy or late payments, but also positive information such as payment history of personal credit. Paying on time is reflected favourably in this system.

Chinese Taipei enhanced the depth of credit information by including data from utility companies in credit reports. It also linked credit information from several databases such as Taipei Leasing Association database, Nationwide Personal Property Secured Transactions Public Inquiry Website and SME financing platform database into the Joint Credit Information Center database.

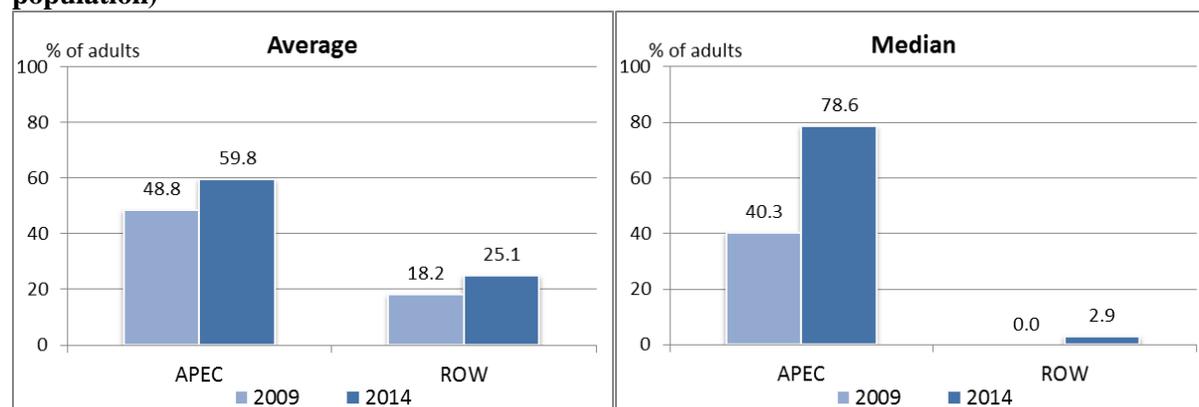
Viet Nam established a new credit bureau in order to improve its credit information system.

Sources:

- World Bank; “Business Reforms for Getting Credit”;
<http://www.doingbusiness.org/reforms/overview/topic/getting-credit>
- The New Zealand Herald; “Consumer Watch: All Credit for Paying Off Debt”; August 2014;
http://www.nzherald.co.nz/personal%ADfinance/news/article.cfm?c_id=12&objectid=11313361
- National Development Council, Executive Yuan of Chinese Taipei;
http://ws.ndc.gov.tw/001/administrator/11/refile/5589/1254/0059818_1.pdf

APEC economies' improvement in expanding the coverage of credit information by private credit bureau was supported by broadly-based improvements among member economies. Twelve APEC economies posted higher coverage with an average increment of more than 10 percentage points between 2009 and 2014. Nevertheless, there was disparity among APEC economies in their coverage of credit information, since eight member economies posted a 100 percent coverage and three member economies reported zero percent coverage by private credit bureaus in 2014.

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

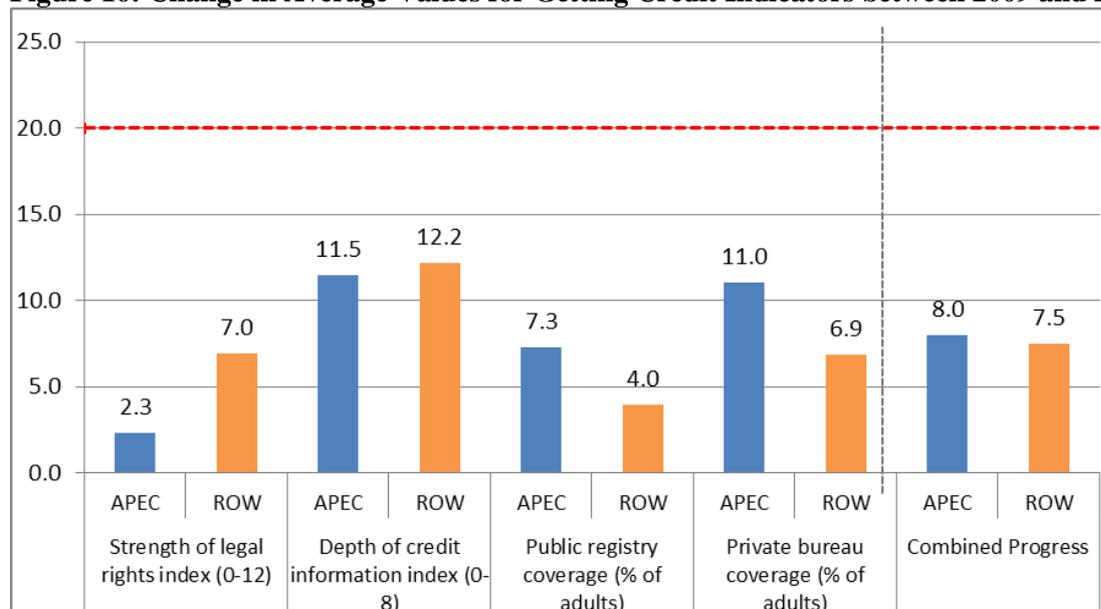


Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

Due to the change in the methodology by the World Bank to calculate the values of the indices regarding the strength of legal rights and the depth of credit information, the calculation of the improvement rates in the average values was made by using two steps. Since the Getting Credit data was available for year 2013 using the old and the new methodology, the improvement rate in those indicators between 2009 and 2014 is equivalent to the sum of the improvement rate during the period 2009-2013 using the data values obtained with the old methodology and the improvement rate during the period 2013-2014 using the data values calculated with the new methodology¹⁰.

In this regard, we notice that progress in APEC was slower than that of the rest of the world in two out of the four Getting Credit indicators (strength of legal rights and depth of credit information indices). The collective improvement of APEC in this priority area was greater than that of the rest of the world due to the progress done by APEC in collecting credit information either via public or private credit bureaus. However, this collective improvement rate is behind the 20 percent pro-rata improvement target by 2014. Slower improvements in indicators such as the strength of legal rights index are no surprising since the implementation of changes sometimes require passing legislative bills at the Parliament or other higher instances. These processes tend to be lengthy in general.

¹⁰ The methodology for the calculation of the improvement rates in this priority area was modified in 2014. Since Getting Credit indicators can only take limited values within a range, instead of using the conventional formula to obtain percentage changes, improvement rates were calculated by dividing the difference of the values obtained in the most recent and earliest years by the difference between the maximum and minimum possible values that the indicators can take. Please see Appendix for further details.

Figure 16: Change in Average Values for Getting Credit Indicators between 2009 and 2014 (%)

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

Notes: Improvements are shown with positive values

The calculation of the gap towards the 25 percent improvement target by 2015 takes into account the methodological change explained earlier to calculate the rate of change in the strength of the legal rights and depth of credit information indices. The relatively wide gap between APEC's current scores for all four indicators and their 25 percent improvement targets by 2015, as well as their historically slow improvement rates in this area suggests it will be difficult for APEC to achieve these targets by the end of 2015.

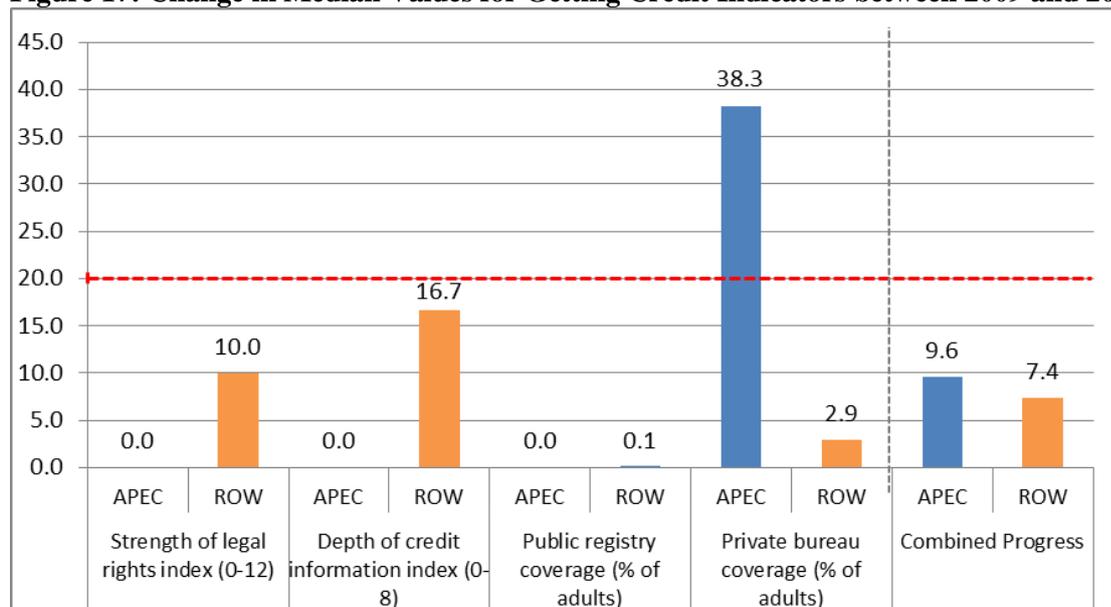
Table 5: Comparison of APEC's Getting Credit Average Indicators with Targets

Mean	Strength of legal rights index (0-12)	Depth of credit information index (0-8)	Public registry coverage (% adults)	Private bureau coverage (% adults)
Current Situation (2014)	6.2	6.5	14.9	59.8
Overall Target (25% Improvement) by 2015	8.9	7.6	32.6	73.8
Gap to Achieve 2015 Target (APEC Region)	2.7	1.1	17.7	14.0

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

The improvement of APEC's median values in Getting Credit indicators was disappointing since only a handful of APEC member economies had made progress between 2009 and 2014 in most of the indicators. One exception was the improvement made in increasing credit information coverage through the use of private bureaus. The median coverage of this indicator within the APEC region was the only one that surpassed the 20 percent pro-rata improvement target (38.3 percent). More than half of APEC member economies reported a higher coverage of credit information via private bureaus.

Figure 17: Change in Median Values for Getting Credit Indicators between 2009 and 2014 (%)



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

Notes: Improvements are shown with positive values

Looking at APEC’s median indicators, it will be challenging to meet the targeted 25 percent improvement by 2015 unless more member economies step up efforts.

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

Mean	Strength of legal rights index (0-12)	Depth of credit information index (0-8)	Public registry coverage (% adults)	Private bureau coverage (% adults)
Current Situation (2014)	5.0	7.0	0.0	78.6
Overall Target (25% Improvement) by 2015	8.0	8.0	25.0	65.3
Gap to Achieve 2015 Target (APEC Region)	3.0	1.0	25.0	Target Achieved

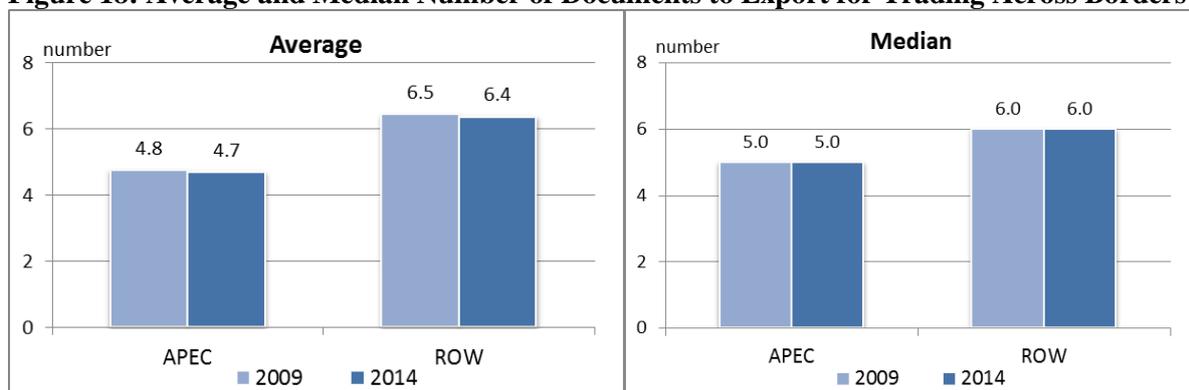
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

D. Trading Across Borders

This priority area tracks the documents, time and cost to move goods across borders for both exporters and importers. Two of the three indicators – number of document and time – showed some improvements between 2009 and 2014. However, the cost to export and import continued to increase and subsequently held back the overall collective progress in this priority area.

The number of documents required to export stayed largely unchanged in APEC – only one member economy reduced one document in 2014 compared to 2009. Similarly, the rest of the world also showed limited improvement with only eight percent of the rest of the world economies reducing their number of documents to export.

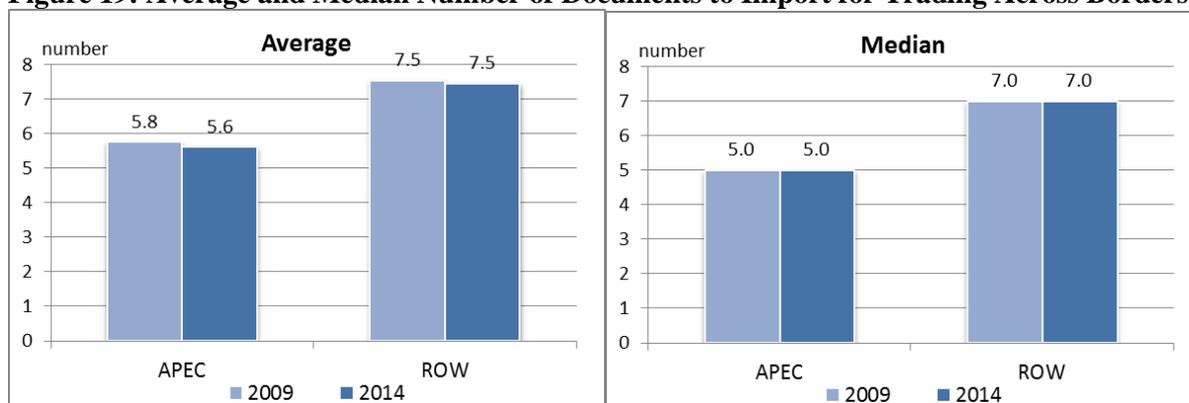
Figure 18: Average and Median Number of Documents to Export for Trading Across Borders



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

Similarly, little improvement was observed in reducing the number of documents to import in both APEC and the rest of the world. Only two APEC economies reduced their number of documents required to import by one and two respectively between 2009 and 2014. 12 percent of the countries from the rest of the world reduced their number of documents to import during the same period. Both APEC and the rest of the world did not show much improvement in their median values either, since the majority of the economies did not report any changes. Despite the unsatisfactory improvement, APEC economies in general still require a fewer number of documents to export and import in comparison to the rest of the world.

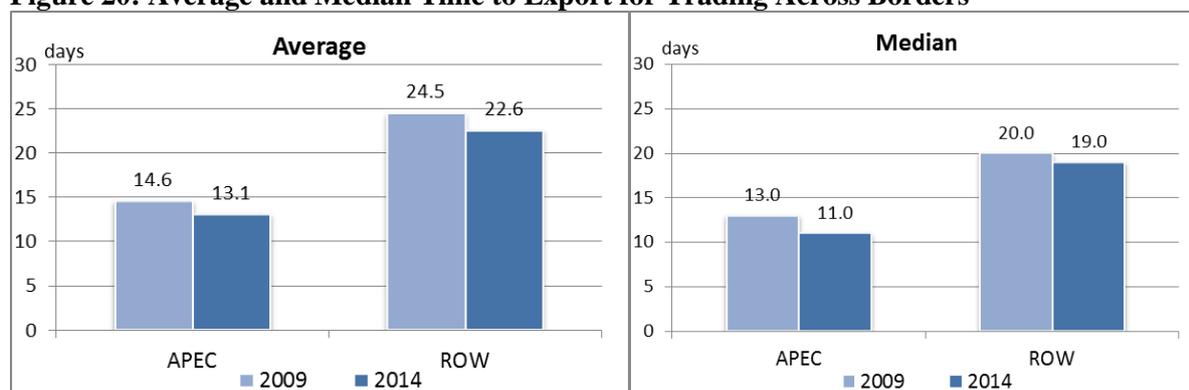
Figure 19: Average and Median Number of Documents to Import for Trading Across Borders



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

In terms of the time to trade across borders, the number of days taken to export has fallen in both in average and median terms, with 12 APEC economies reducing their time by almost three days on average between 2009 and 2014. In order to export from the APEC region, the average number of days went down by 1.5 days, whereas the median number of days fell by two days. The gap within APEC economies also narrowed during this period. The difference between the two economies with the longest and shortest time to export fell from 21 days in 2009 to 17 days in 2014.

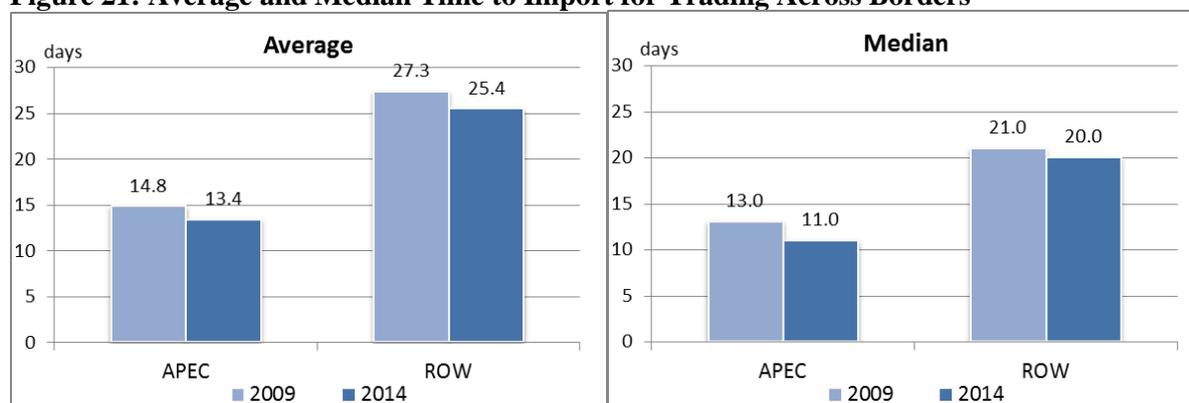
Figure 20: Average and Median Time to Export for Trading Across Borders



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

Similarly, the number of days required to import has also fallen down in both average and median values. Ten APEC economies posted shorter time to import in 2014 in comparison with 2009. The rest of the world still takes almost twice the length of time to import compared with the APEC region.

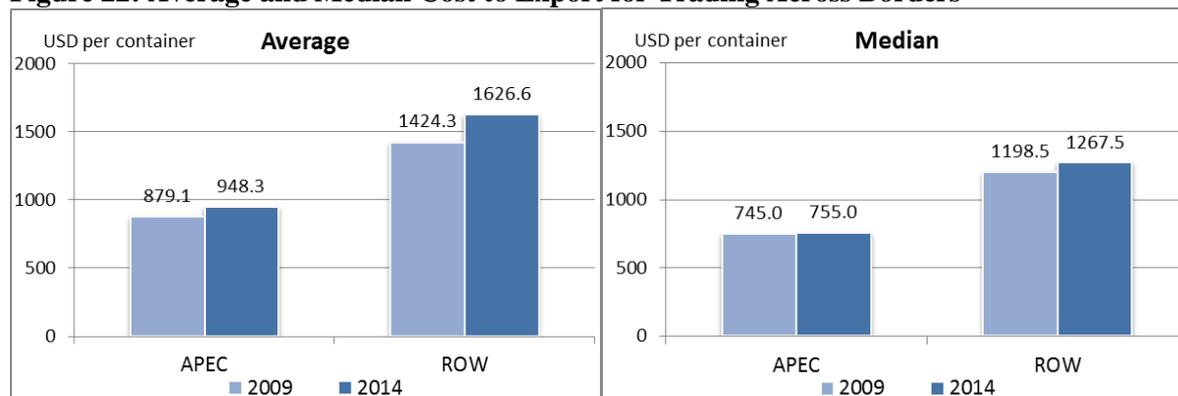
Figure 21: Average and Median Time to Import for Trading Across Borders



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

The cost to export in APEC, measured by USD per container, increased in average terms. Only seven APEC member economies reduced their cost between 2009 and 2014. These seven APEC economies cut their cost by an average of USD 43 per container during that period. However, this was offset by larger increases from the other 14 APEC economies, which raised their cost by 125 USD on average. Within APEC, the difference in costs among economies also increased – in 2009 the cost to export ranged from USD 450 to 2,080 per container and in 2014, the range widened from USD 460 to 2,705.

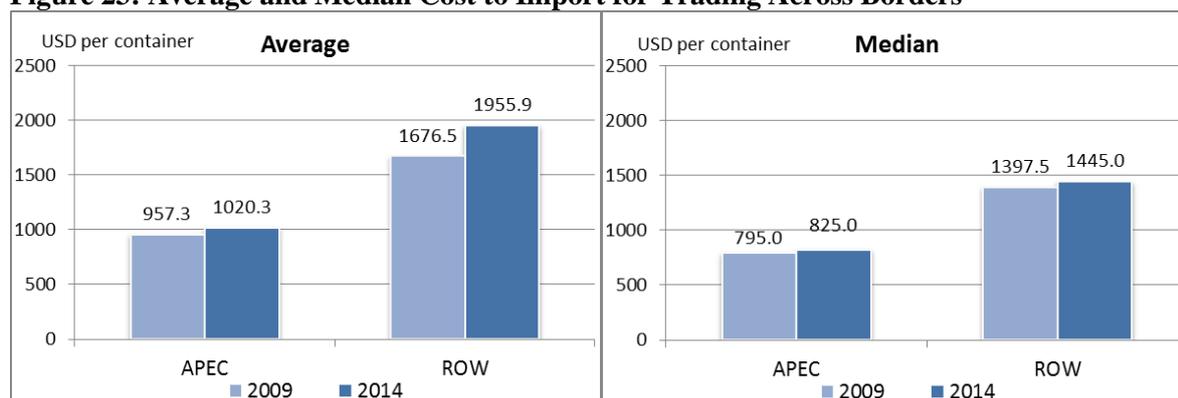
Figure 22: Average and Median Cost to Export for Trading Across Borders



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

In the same way, the cost to import in APEC also increased. While seven APEC economies reported lower costs, with a decrease amounting to on average USD 56 per container; 12 APEC member economies increased their cost substantially, with an average increase of USD 143 per container. Likewise, the disparity among APEC economies in the cost to import also increased – in 2009 the cost to import ranged from USD 439 to 2,165 per container and in 2014, the range widened from USD 440 to 2,920.

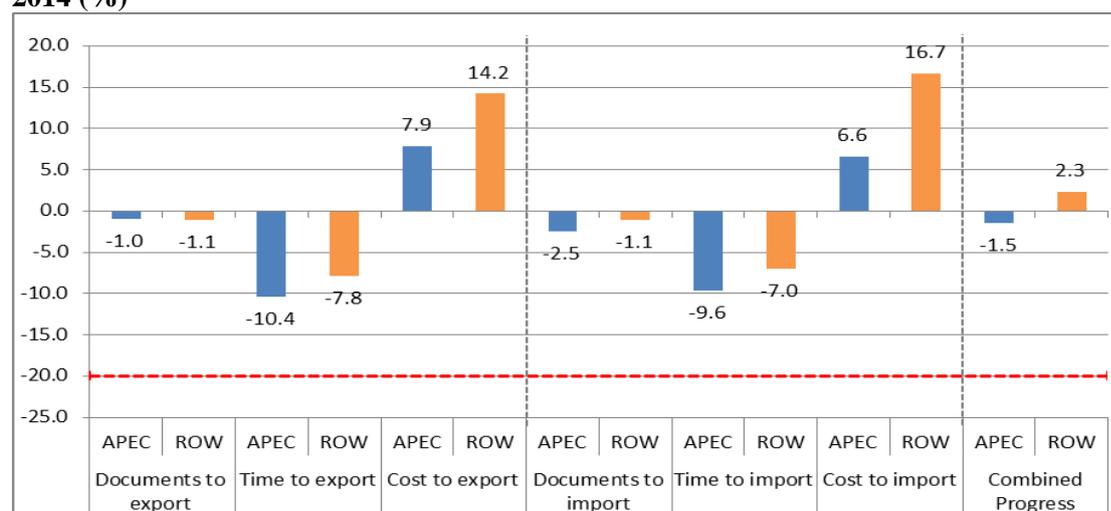
Figure 23: Average and Median Cost to Import for Trading Across Borders



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

The progress by the APEC region in Trading Across Borders was rather limited, in a sense that none of its indicators met the 20 percent pro-rata improvement target by 2014 and the combined overall progress has been far from this target. The rising cost to export and import – which has been moving in the opposite direction to the target – has been one of the main factors explaining the lack of combined major progress. In spite of that, APEC economies still outperformed the rest of the world in this priority area.

Figure 24: Change in Average Values for Trading Across Borders Indicators between 2009 and 2014 (%)



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

Note: Improvements are shown with negative values.

Box 4. Mixed Performance in Trading Across Borders

The APEC region reported a shorter time to trade across borders in the past year, but the cost increased marginally. APEC economies posted mixed results with some economies undertaking relevant reforms, while others are not implementing policies on time to reduce or eliminate the bottlenecks constraining the evolution of exports and imports.

On the positive side, the cost to export and import in Chile dropped significantly in the past year, in part due to the simplification of the procedures to trade. Furthermore, Chile is planning large-scale investments in port infrastructure to boost their handling capacity. The investments would be used to expand and upgrade existing ports as well as to carry out new large-scale port projects.

On the negative side, the lack of adequate infrastructure remains as a bottleneck to trade across borders in some APEC economies. In particular, insufficient port facilities are increasing the time to ship cargo and subsequently, it is pushing up logistics costs. Congestions at ports are making it more difficult to trade across borders.

Sources:

- World Bank; “Business Reforms for Trading Across Borders”; <http://www.doingbusiness.org/reforms/overview/topic/trading-across-borders>
- BN Americas; “Chile to Determine Location of Large-scale Port in 2015”; October 2014; <http://www.bnamericas.com/news/privatization/chile-to-determine-location-of-large-scale-port-in-2015/4>

When looking at the average values, Table 7 shows that the gaps to achieve the overall targets are rather sizable given the slow progress made since 2009, in particular with regards to the documentation and cost to trade. In fact, at individual economy level, none of the APEC economies reported any improvement in 2014 compared to 2009 in at least four out of the six indicators.

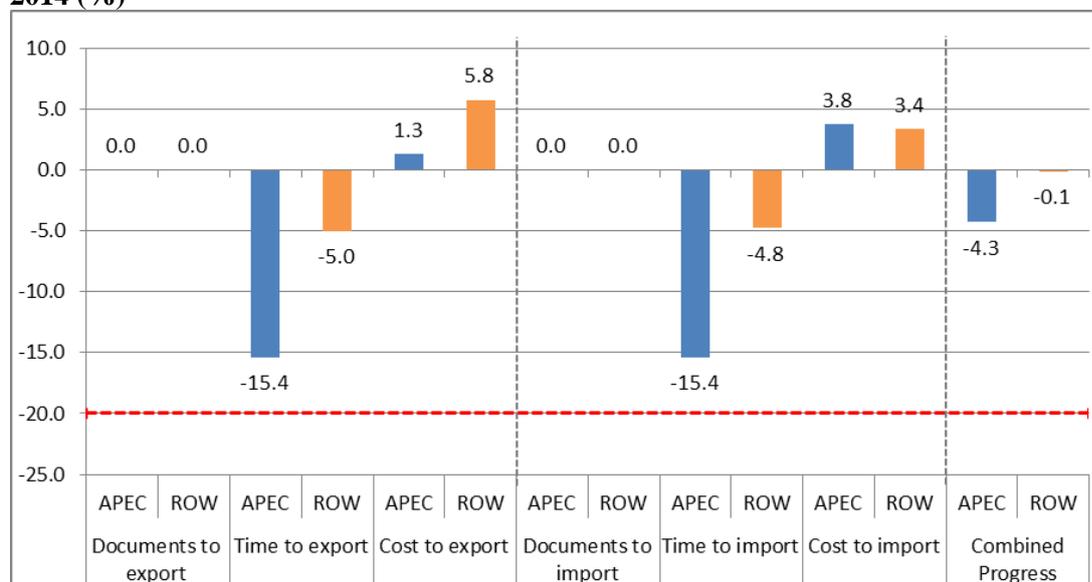
Table 7: Comparison of APEC's Trading Across Borders Average Indicators with 2015 Targets

Mean (Export)	Documents (number)	Time (days)	Cost (US\$ per container)
Current Situation (2014)	4.7	13.1	948.3
Overall Target (25% Improvement) by 2015	3.6	11.0	659.3
Gap to Achieve 2015 Target (APEC Region)	1.1	2.1	289.0
Mean (Import)	Documents (number)	Time (days)	Cost (US\$ per container)
Current Situation (2014)	5.6	13.4	1,020.3
Overall Target (25% Improvement) by 2015	4.3	11.1	718.0
Gap to Achieve 2015 Target (APEC Region)	1.3	2.3	302.3

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

From the median perspective, APEC's progress on reducing time to export and import was offset by the lack of progress in reducing documentation and the increasing cost to trade. All six median indicators fell behind the 20 percent pro-rata improvement target by 2014.

Figure 25: Change in Median Values for Trading Across Borders Indicators between 2009 and 2014 (%)



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

Note: Improvements are shown with negative values.

Table 8 shows that there is a wide gap to achieve the 2015 target based on the median values. All the six indicators fell short from reaching the 20 percent pro-rata improvement target by

2014. Rising costs are the main reason for the lack of combined progress in this priority area. Only last year, the median cost to trade in APEC surged by around 7 percent.

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

Median (Export)	Documents (number)	Time (days)	Cost (US\$ per container)
Current Situation (2014)	5.0	11.0	755.0
Overall Target (25% Improvement) by 2015	3.8	9.8	588.8
Gap to Achieve 2015 Target (APEC Region)	1.3	1.3	196.3
Median (Import)	Documents (number)	Time (days)	Cost (US\$ per container)
Current Situation (2014)	5.0	11.4	825.0
Overall Target (25% Improvement) by 2015	3.8	9.8	596.3
Gap to Achieve 2015 Target (APEC Region)	1.3	1.3	228.8

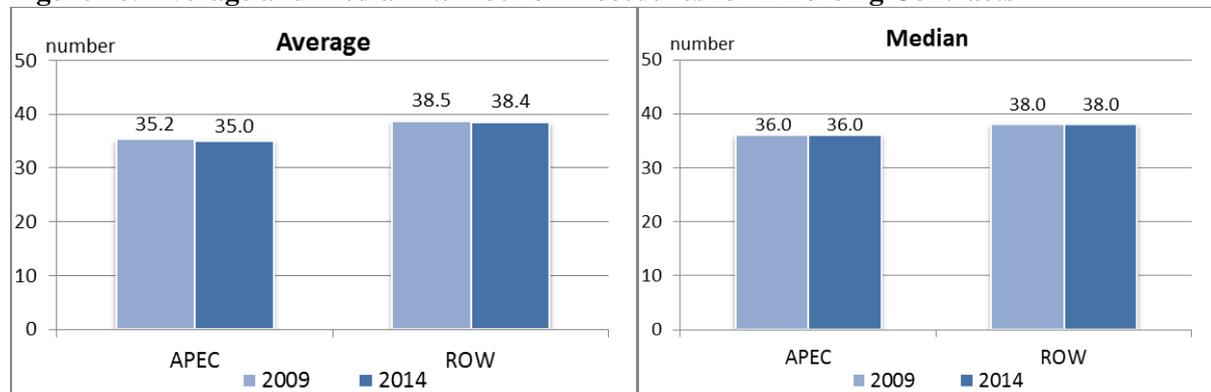
Source: World Bank – Doing Business; APEC Secretariat, Policy Support Unit calculations

E. Enforcing Contracts

Enforcing contracts is the priority area with the smallest progress among the five EoDB priority areas. This is not a surprise, since judiciary reform tends to be slow and challenging, as they involve approvals from various government levels. Even if the legislation has already been endorsed by relevant authorities, enforcement remains critical, as experiences from some places reveal this tends to be a slow and expensive process.

Excessive procedural steps to resolve a case of commercial dispute might result in unnecessary administrative burden for businesses. APEC economies in general required on average fewer procedures than the rest of the world (35 for APEC and 38.4 for the rest of the world). However, the progress made by worldwide has been negligible between 2009 and 2014. On the other hand, only four APEC economies lowered their number of procedures during this time. In general, the number of procedures required to enforce a contract remains high among APEC economies, ranging from 21 to 47 in 2014.

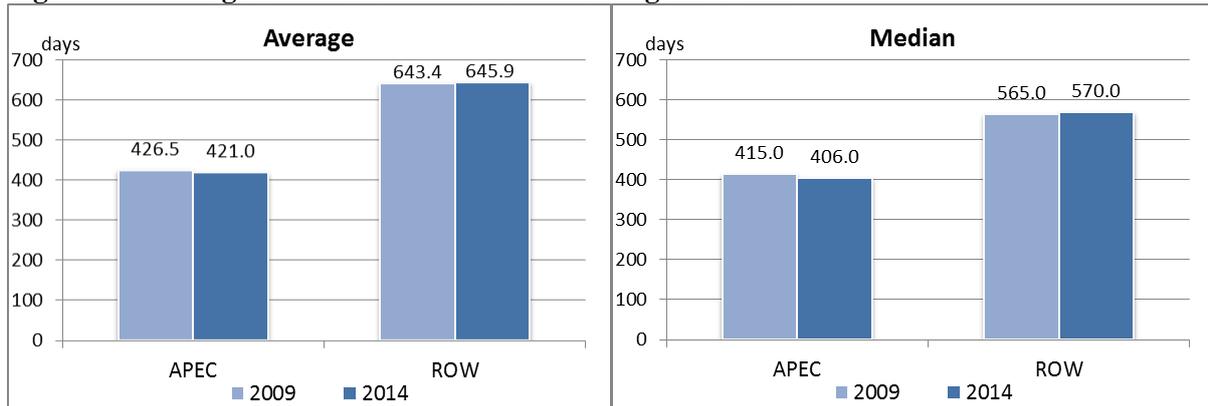
Figure 26: Average and Median Number of Procedures for Enforcing Contracts



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

In terms of time needed to enforce contracts, APEC's progress outpaced the rest of the world, even though APEC's collective improvement has been minimal between 2009 and 2014. In 2014, it was on average 223 days faster to enforce a contract in APEC than in the rest of the world. Six APEC economies reduced their time to enforce contracts by 44 days on average from 2009 to 2014. In contrast, two APEC economies reported longer time to complete procedures and others did not reported any change at all, holding back APEC's collective progress. Differences within APEC are striking, as it was more than five times faster to enforce a contract in the APEC economy with the best performance in this aspect (150 days) compared with the APEC economy with the worst performance (842 days) as of 2014.

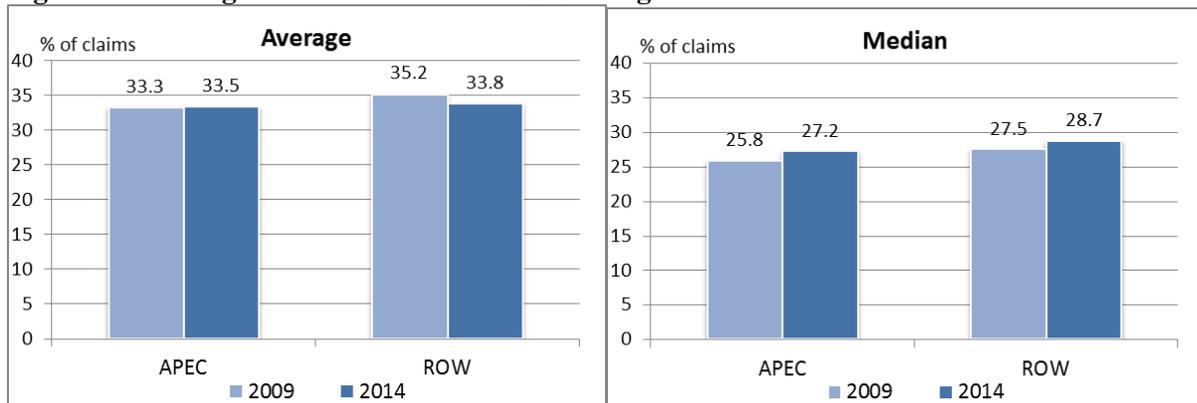
Figure 27: Average and Median Time for Enforcing Contracts



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

The average costs to enforce a contract as a percentage of the claim value increased in APEC, as more economies reported higher costs in 2014 compared with 2009. In the meantime, the rest of the world lowered their average costs due to sharp reduction of costs in a handful of countries. Costs are still lower in the APEC region in average and median terms, but the gap among them is narrowing down. Costs in median terms also increased in APEC, as six member economies increased their costs between 2009 and 2014.

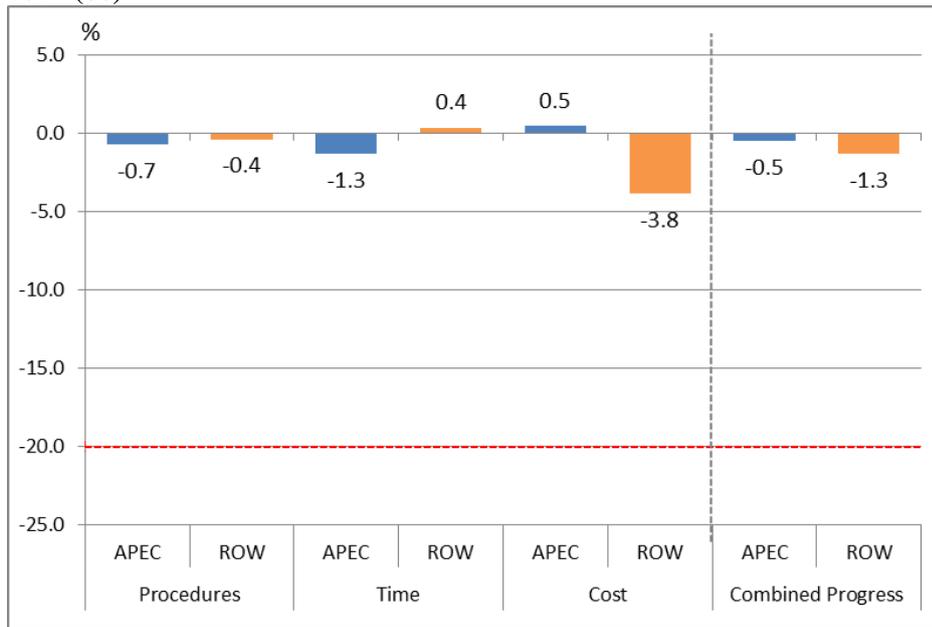
Figure 28: Average and Median Cost for Enforcing Contracts



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

As shown in Figure 29, APEC's progress in this priority area remained insignificant by looking at the average values of the three Enforcing Contracts indicators. The combined improvement rate for the APEC region was only equivalent to 0.5 percent between 2009 and 2014, far away from APEC's 25 percent overall improvement target by 2015. Despite outperforming the rest of the world in two out of the three Enforcing Contracts indicators, APEC's combined progress in this area was behind that of the rest of the world due to the better performance by the latter in reducing the cost to enforce contracts.

Figure 29: Change in Average Values for Enforcing Contracts Indicators between 2009 and 2014 (%)



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

Note: Improvements are shown with negative values.

Box 5: Limited Progress in Enforcing Contracts across the APEC Region

Compare to the other four EoDB categories, enforcing contracts is the area with very limited progress among APEC economies during the past year.

Singapore introduced a new electronic litigation system which streamlines litigation proceedings. The new system allows litigants to file their cases online and litigants and lawyers to stay informed through e-mail or text messages. Singapore’s strong judicial system is well-respected and widely-recognised for its good practices, such as having a separate commercial court and making judgments available to the public. Furthermore, Singapore has launched recently an international commercial court along with a mediation centre to boost its status as a regional legal hub.

Sources:

- World Bank; “Business Reforms for Enforcing Contracts”; <http://www.doingbusiness.org/reforms/overview/topic/enforcing-contracts>
- Human Resource; “Singapore and Hong Kong ‘Easiest’ Places to Do Business”; October 2014; <http://www.humanresourcesonline.net/singapore-hong-kong-easiest-places-business/>
- Reuters; “Singapore to Remake Itself as Asia’s Legal Hub with New Commercial Court”; February 2014; <http://in.reuters.com/article/2014/02/11/singapore-law-idINDEEA1A0JC20140211>
- Straits Times; “New Singapore International Commercial Court Launched”; 5 January 2015; <http://www.straitstimes.com/news/singapore/courts-crime/story/new-singapore-international-commercial-court-launched-20150105#sthash.S7mlcdIu.dpuf>

Table 9 shows that in order to reach the 2015 improvement goal, the APEC region needs on average to reduce nine procedures, shorten the average time by 101 days and lower costs by 8.5 percent of the value of the claims to enforce a contract. Unfortunately, this is not likely to happen. Between 2009 and 2014, APEC economies could only reduce on average less than one procedure, shortened the time by 5 days and lowered costs by 0.2 percent of the value of the claims to enforce a contract.

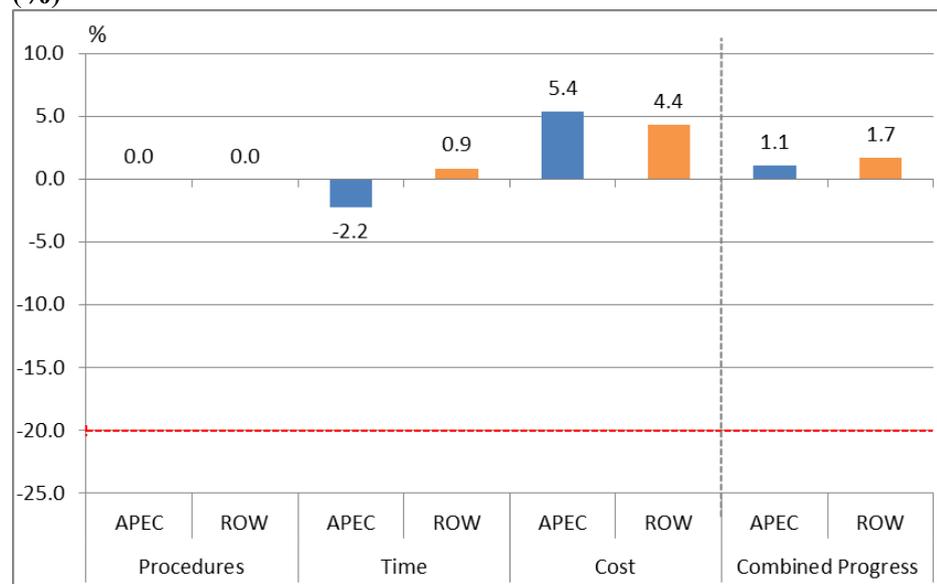
Table 9: Comparison of APEC's Enforcing Contracts Average Indicators with 2015 Targets

Mean	Procedures (number)	Time (days)	Cost (% of claim)
Current Situation (2014)	35.0	421.0	33.5
Overall Target (25% Improvement) by 2015	26.4	319.9	25.0
Gap to Achieve 2015 Target (APEC Region)	8.6	101.1	8.5

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

Likewise, the median values show limited progress in APEC. Only the median time to enforce a contract reported a slight improvement during the period 2009-2014. Overall, APEC's combined performance worsened by 1.1 percent, slightly lower than the case of the rest of the world, whose performance got worse by 1.7 percent.

Figure 30: Change in Median Values for Enforcing Contracts Indicators between 2009 and 2014 (%)



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

Note: Improvements are shown with negative values.

From the median perspective, the existing gaps to achieve the 25 percent improvement rate target in 2015 are significant. As it was the case of the average indicators, it is unlikely for APEC to improve its median values in one year to close that gap.

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

Median	Procedures (number)	Time (days)	Cost (% of claim)
Current Situation (2014)	36.0	406.0	27.2
Overall Target (25% Improvement) by 2015	27.0	311.3	19.4
Gap to Achieve 2015 Target (APEC Region)	9.0	94.8	7.9

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

2. MOVING FORWARD – WHAT COMES AFTER 2015?

As mentioned last year in the interim assessment prepared by the APEC Policy Support Unit (PSU), the EoDB initiative has been a helpful tool to spark debate and discussion on how regulatory reform can help improve the overall business environment¹¹. Based on the broad support by APEC member economies to continue with this initiative, a questionnaire jointly prepared by the PSU and the US-APEC Technical Assistance to Advance Regional Integration (US-ATAARI) was circulated to APEC member economies in order to collect their views on the future direction of the EoDB agenda.

The questionnaire covered three main aspects: 1) priority areas to include post 2015; 2) new timeframe and targets; and 3) future capacity-building projects.

16 APEC economies submitted their responses by 8 August 2014 and the results were shared in the 2nd Stocktake Workshop on the APEC Ease of Doing Business in Beijing, on 16 August 2014.

KEY FINDINGS¹²

In terms of priority areas, 12 out of 16 APEC economies supported the idea of continuing work in the existing five priority areas. There were some responses by few economies suggesting adding additional areas. Protecting Investors was the Doing Business area in which APEC economies had more interest to add (7 economies). Four economies also expressed their interest to remove some of the current priority areas.

Based on the preference of the majority of the APEC member economies to support maintaining the same priority areas, it is recommendable to keep the same priority areas post 2015. This is also supported by the fact that APEC still has room for improvement in the current five priority areas as explained earlier in this report.

With regards to the timeframe, the majority of the economies (12 out of 16) supported a three year period (2016-2018), taking into account 2015 as the baseline year for the evaluation. Four economies suggested having a five year period instead (2016-2020). A three-year period is suitable to extend this initiative, as it will give enough time to economies to participate in

¹¹ APEC Policy Support Unit (2014), “APEC’s Ease of Doing Business – Interim Assessment 2009-2013”. APEC Secretariat, APEC#214-SE-01.13, p.47.

¹² For more details on the survey results, please see APEC Policy Support Unit and US-ATAARI (2014), “APEC Post 2015 Ease of Doing Business Questionnaire”, 2014/SOM3/EC/WKSP4/025, http://mddb.apec.org/Documents/2014/EC/WKSP4/14_ec_wksp4_025.pdf

capacity-building initiatives, as well as to continue the implementation of reforms that started past 2015 and new reforms post 2015. In addition, a three-year period will give the opportunity to APEC economies to report progress in the medium-term. Many of the reforms being implemented before the end of 2015 will only be reflected in the indicators after 2015. On the possibility to include targets, 56 percent of the respondents were in favour of establishing an improvement target. As mentioned in the EoDB interim assessment conducted last year, the advantage of setting a target resides in the fact that it allows APEC to evaluate progress in each priority area and compare it to a clear objective. Also, governments could be more motivated to pursue policies to get closer to those targets¹³.

In order to set a target, it is important to avoid one that is either overambitious or unimpressive due to credibility matters. Noting that APEC has been making progress in their overall collective performance at an approximate average rate of 2.5 percentage points per year, a 10 percent improvement rate for a three-year period would look credible and plausible.

Finally, in terms of the capacity-building initiatives, there was a high level of support among APEC economies. Workshops and seminars were mentioned as the most popular options, but other types of capacity-building activities such as diagnostic studies, advisory services and guided visits to champion economies had strong support from economies, too. The results support the continuation of APEC-wide activities such as workshops and seminars. Furthermore, they support capacity-building activities tailored to the specific needs of individual economies. Diagnostic studies, monitoring and evaluation and technical assistance to implement recommendations, are among the activities that could be suitable in this context¹⁴.

¹³ Ibid.

¹⁴ US-ATAARI (2015), "APEC Post 2015 Ease of Doing Business Agenda Post 2015", 2015/SOM1/EC/032a, http://mddb.apec.org/Documents/2015/EC/EC1/15_ec1_032a_r.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 25 percent improvement by 2015 and 5 percent improvement by 2011, the methodology should measure the evolution of APEC as a whole in the five EoDB priority areas. In this sense, the assessment should compare across time the average values of APEC in the EoDB indicators available from the World Bank Doing Business database.

The indicators divided by priority areas are the following ones:

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

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

$$\text{APEC avg. procedures}_{2014} = (\# \text{ of procedures in Australia}_{2014} + \# \text{ of procedures in Brunei Darussalam}_{2014} + \dots + \# \text{ of procedures in Viet Nam}_{2014}) / \# \text{ of APEC economies}$$

The APEC-wide annual rate of improvement (or decline) in the period 2009-2014 can be calculated by comparing the average value in 2014 with the value obtained in 2009¹⁵. Following the example of the number of procedures in the Starting a Business priority area, the APEC-wide rate of improvement in this indicator is equal to:

$$\text{APEC-wide rate of improvement avg. procedures}_{2009-2013} = \left[\frac{(\text{APEC avg. procedures}_{2013})}{(\text{APEC avg. procedures}_{2009})} - 1 \right] \times 100$$

MEDIAN VALUES

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

The indication of the possible presence of outliers in 2009 and 2014 may provide a distorted picture of APEC and any other region's collective performance in particular indicators if only the average values are taken into account in the analysis. Extreme values in some specific economies in any of those years may have pulled up or down APEC's averages and their improvement rates.

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

The median is the middle value in any data series, separating the upper half of the values with the lower half of the values. In other words, in the case of APEC, the median for any EoDB indicator is equivalent to the value registered by the economy located in the 11th position. For example, the following table shows the cost of importing a container in each of the 21 APEC members:

¹⁵ Except in the case of the Getting Credit indicators

APEC: Cost to Import a Container (Year 2013)

Position	USD per container
1 st	440
2 nd	485
3 rd	565
4 th	600
5 th	615
6 th	660
7 th	660
8 th	695
9 th	720
10 th	760
11 th	770
12 th	825
13 th	930
14 th	970
15 th	1,010
16 th	1,170
17 th	1,250
18 th	1,315
19 th	1,680
20 th	1,740
21 st	2,810
Average	984
Median	770

Source: World Bank – Doing Business

In this example, the average is much higher than the median, as the costs experienced by the APEC economy in the 21st position pushed up the average value. Only seven APEC members had their average costs of importing a container higher than APEC's average cost equivalent to USD 984. On the opposite, APEC's median cost was not affected by the highest extreme value in the 21st position (USD 2,810), as 10 APEC members had their average cost higher than APEC's median cost and other 10 APEC members had their average cost lower than APEC's median cost.

To summarize, the calculation of the APEC median cost of dealing with construction permits is as follows:

APEC median cost to import a container₂₀₁₄ = 11th lowest cost by an APEC member to import a container in 2014

APEC median cost to import a container₂₀₀₉ = 11th lowest cost by an APEC member to import a container in 2009

The comparison of APEC median values in different years provides another way to measure improvement (or decline) in APEC's priority areas during the period 2009-2013¹⁶. Following the example of the APEC median cost to import, the APEC-wide rate of improvement is:

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

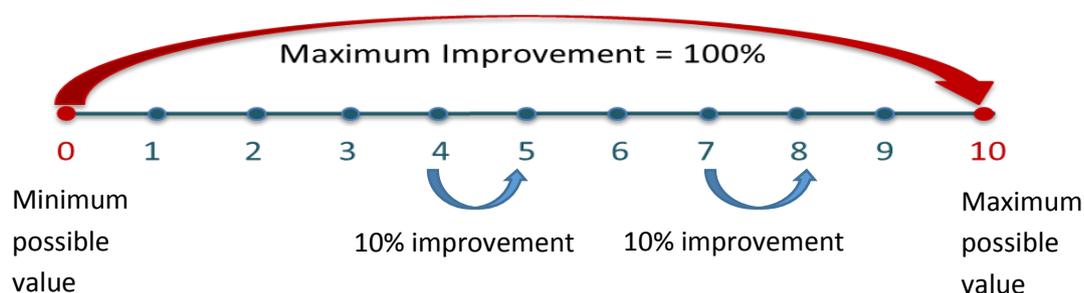
CALCULATION OF THE IMPROVEMENT RATE OF GETTING CREDIT INDICATORS

In this report, the improvement rates for the Getting Credit indicators have been calculated in a different way in comparison to past reports. Unlike indicators in other priority areas, which are continuous in nature and can take unlimited values in theory, Getting Credit indicators are discrete, only taking limited values within an interval. Moreover, a better performance in Getting Credit indicators is reflected by higher values while the remaining EoDB indicators show improvement by lowering scores.

Calculating improvement rates for Getting Credit indicators by using a simple percent rate of change may not reflect progress in the most accurate way. For example, the strength of legal rights index can take values from 0 to 10. If this index was equal to 4 in year 2009 and then its value increased to 5 by 2010, the simple percent rate of change was going to be equal to 25 percent:

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

Would the change in the indicator in one unit represent a 25 percent improvement? If so, only a minor change in one unit would already meet the 2015 target improvement rate of 25 percent. In reality, the spirit of the EoDB initiative is to conduct further reforms to achieve real changes in regulatory matters that will facilitate companies and individuals to conduct businesses. Improving one (1) unit in the strength of legal rights index between 2009 and 2010 would only represent a 10 percent increase within the range of possible values¹⁷.



¹⁶ Except in the case of Getting Credit indicators

¹⁷ The strength of legal rights index can take eleven possible values, ranging from 0 to 10. If an economy with an initial score of 0 reaches later on a score of 10, it will have reached the maximum possible improvement, which could be equivalent to $100\% / (10-0) = 10\%$. Each time the economy improves in one unit, the improvement is equivalent to $100\% / (10-0) = 10\%$. If a particular economy has a current value of 3, this means that it has already implemented 30 percent of the possible improvements and still has 70 percent of margin to improve.

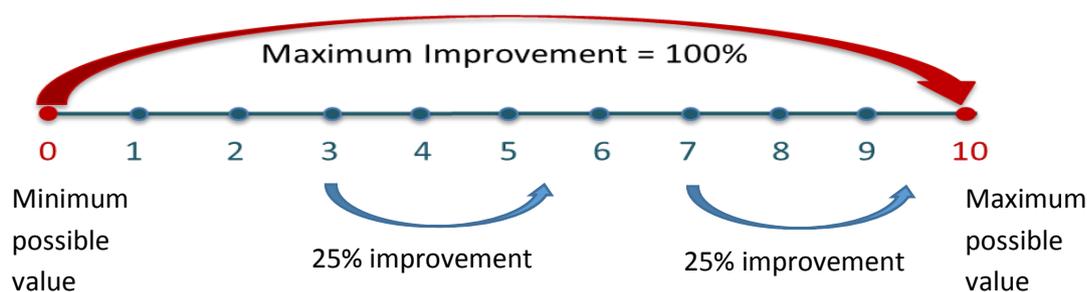
In the case of the depth of credit information index, this indicator can take seven possible values from the scale of 0 to 6. Using the same rationale, an improvement by any economy moving from a value of 0 to 6, would represent a maximum possible improvement of 100 percent. A one unit improvement in this indicator would be equal to $100\% / (6-0) = 16.6\%$.

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

$$\Delta X_{2009-2010} = \frac{X_{2010} - X_{2009}}{\text{Maximum possible value} - \text{Minimum possible value}} \times 100\%$$

Instead, if this index increases in 2.5 units (e.g. from 3 to 5.5 or from 7 to 8.5), the improvement would represent a 25 percent increase within the range of possible values:

$$\frac{5.5 - 3}{10 - 0} \times 100\% = 25\%$$



The Getting Credit priority area also includes indicators measuring the percentage of the adult population with their credit information available in public or private credit bureaus. In those cases, the indicators could take any value ranging from 0 to 100 percent of the adult population. Similarly, using a simple percent rate of change would not give a very accurate indication of the progress in these indicators. For example, suppose that the percentage of the adult population with their credit information available at public credit bureaus in an APEC economy was equivalent to 12 percent in the base year and it increased to 15 percent by 2014. Using the simple percent rate of change, that APEC economy would already meet the 25 percent improvement target by just improving by 3 percent points:

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

Again, the intention in the EoDB initiative is to encourage APEC economies to reform in order to have substantial changes in the business environment, including in areas such as Getting Credit. A 3 percent improvement in the percentage of adult population with information in credit bureaus is a very modest achievement. Instead, it is much more significant if the improvement is in 25 percent points¹⁸. Using the new formula and the previous example, it means this APEC economy would need to increase the coverage of the adult population from 12 percent to 37 percent in order to meet the 25 percent improvement target.

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

¹⁸ In this case, the indicator can take any value ranging from 0 to 100 percent. In this sense, an economy with no credit information bureaus will obtain a value of zero. If this economy subsequently implements a credit information bureau and incorporates the credit information history of its entire adult population, this indicator would take a value 100 percent and would mean that it has achieved the maximum possible achievement of 100 percent.

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 nature and units of measurement (for instance: numbers, days, percentage of income per capita), the estimation of the APEC-wide rate of improvement in any priority area can be obtained by calculating the simple average of the rates of improvement (or decline) in each of the indicators belonging to the particular priority area. This can be calculated by using the rates of improvement (or decline) for either APEC averages or APEC median values.

For example, to obtain the APEC-wide rate of improvement in the Starting a Business priority area in the period 2009-2014, this can be done by using the rates of improvement (or decline) of the averages in each of the four indicators belonging to this priority area:

$$\text{APEC-wide rate of improvement Starting a Business}_{2009-2014} = (\text{APEC-wide rate of improvement avg. procedures}_{2009-2014} + \text{APEC-wide rate of improvement avg. time}_{2009-2014} + \text{APEC-wide rate of improvement avg. cost}_{2009-2014} + \text{APEC-wide rate of improvement avg. paid-in minimum capital}_{2009-2014}) / \# \text{ of indicators}$$

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

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

$$\text{APEC-wide rate of improvement Starting a Business}_{2009-2014} = (\text{APEC-wide rate of improvement median procedures}_{2009-2014} + \text{APEC-wide rate of improvement median time}_{2009-2014} + \text{APEC-wide rate of improvement median cost}_{2009-2014} + \text{APEC-wide rate of improvement median paid-in minimum capital}_{2009-2014}) / \# \text{ of indicators}$$

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 separately average and median values also provides an indication whether the progress in the priority areas' indicators is explained by a small sub-section of APEC members or is more widespread amongst a larger group of economies.

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

$$\text{APEC-wide rate of improvement EoDB}_{2009-2014} = (\text{APEC-wide rate of improvement Starting a Business}_{2009-2014} + \text{APEC-wide rate of improvement Dealing with Construction Permits}_{2009-2014} + \text{APEC-wide rate of improvement Getting Credit}_{2009-2014} + \text{APEC-wide rate of improvement ...}_{2009-2014} + \text{APEC-wide rate of improvement ...}_{2009-2014})$$

improvement Trading Across Borders₂₀₀₉₋₂₀₁₄ + APEC-wide
rate of improvement Enforcing Contracts₂₀₀₉₋₂₀₁₄) / # 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 25 percent by 2015. Measuring the overall improvement by using a simple average of the rates of improvement (or decline) of the five priority areas reduces the subjectivity of the assessment by considering all priority areas as equally important¹⁹.

¹⁹ 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 its particular realities.