

## Third APEC Ease of Doing Business (EoDB) Action Plan

### I. Introduction

This action plan establishes the objectives and parameters for the APEC Third EoDB Action Plan. This document, along with the complementary Implementation Plan, will function as a living document that can be adjusted as deemed necessary throughout the duration of the initiative.

### II. Background

APEC's Ease of Doing Business (EoDB) initiative was introduced in 2009 to make it cheaper, faster and easier to do business in the APEC region. This initiative was originally patterned after the World Bank's Doing Business program, which documents the time, cost, and complexity of formal regulatory compliance in twelve areas of business activity across 190 economies.

Regulations provide the foundational rules that seek to promote beneficial behavior to support business startup and growth. Clear, transparent, and efficient rules, when applied consistently and fairly, provide critical regulations necessary to ensure the proper functioning of markets, to protect the public welfare, and to promote broad-based growth. Nevertheless, all regulations entail some level of compliance costs for businesses. When regulatory inefficiencies outpace the public benefit, they can lead to excess bureaucracy that can stifle vibrant growth driven by private sector entrepreneurialism. This impacts economic growth at a macroeconomic level and directly impacts the growth and success of small and medium-sized enterprises (SMEs). Based on the World Bank's Doing Business Index, Djankov et al. (2006) estimate that an economy that embarked on an episode of deregulation that moves it from the most-regulated quartile to the least-regulated quartile could increase the economy's annual rate of growth by 2.3 percentage points.<sup>1</sup> The World Bank also establishes that, on average, each business regulatory reform is associated with a 0.15 percent increase in growth rate of GDP.<sup>2</sup>

Exogenous shocks to the economy like the global COVID-19 pandemic demonstrate the need for economic resilience. Due to the pandemic, tens of millions have lost their jobs; the hospitality, air transport, oil, retail sectors are in ruin. The agricultural and health sectors have similarly been strained, disrupting supply and making these basic human needs costlier and out of reach for the least wealthy individuals. Global supply chains that are typically immune to individual economy shocks or even regional shocks have been hobbled in the face of a global pandemic. In a region where SMEs account for over 97 percent of all businesses and employ over half of the workforce, APEC economies recognize that structural reform – removing barriers that stand in the way of people and economic opportunity – play a significant role in either strengthening or weakening economic resilience. By helping member economies through the EoDB initiative, APEC will be sowing the seeds of the post-COVID 19 recovery of its member economies and the entrepreneurs who will help jump-start economies throughout the Asia-Pacific region.

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<sup>1</sup> Djankov, Simeon et al. "Regulation And Growth". *Economics Letters*, vol 92, no. 3, 2006, pp. 395-401. Elsevier BV, doi:10.1016/j.econlet.2006.03.021.

<sup>2</sup> Haidar, Jamal Ibrahim. "Do Business Regulatory Reforms Impact Economic Growth?". World Bank Blogs, 2012, <https://blogs.worldbank.org/psd/do-business-regulatory-reforms-impact-economic-growth>.

### III. Structural reform and Ease of Doing Business in APEC

APEC's Ease of Doing Business agenda has been an integral part of APEC's structural reform agenda since APEC Leaders endorsed the Leaders' Agenda to Implement Structural Reform (LAISR). The EoDB initiative, since its introduction in 2009, addressed key LAISR priorities in a pragmatic way, setting collective targets and encouraging measurable progress.

In 2010, APEC Ministers endorsed the APEC New Strategy for Structural Reform (ANSSR), which included the pillar to "promot[e] more open, well-functioning, transparent, and competitive markets." This priority continued under Renewed APEC Agenda for Structural Reform (RAASR) in 2015, and the EoDB initiative continued to help economies reduce behind-the-border barriers.

In 2015, the Structural Reform Ministerial Meeting (SRMM) Statement recognized "the contribution made by EoDB to remedy impediments to trade and commerce by lowering registration and transactions costs in the APEC region through targeted and tangible programs of work within defined indicator areas." By committing to making it faster, easier and cheaper to do business in the Asia-Pacific region, this initiative directly contributed to the objective of fostering inclusive growth by promoting reforms that facilitate entrepreneurship and improve the competitiveness of SMEs, specifically through lower costs to doing business, better access to credit, added opportunities to engage in international trade, and more efficient regulatory institutions, among others.

### IV. APEC EoDB Progress 2009-2018 and Lessons Learned

The First and Second APEC EoDB Action Plans aimed to develop regulatory reforms in five priority areas: 1) Starting a Business; 2) Dealing with Construction Permits; 3) Getting Credit; 4) Trading Across Borders; and 5) Enforcing Contracts. The action plan outlined the goal of achieving 25% improvement rates across the five indicators during the period 2010-2015. Despite the fact that APEC fell short of the overall target of 25% improvement during the First EoDB Action Plan, APEC achieved substantial progress in making it cheaper, faster and easier to do business in the region.

APEC economies supported the EoDB initiative strongly, motivating the initiative's extension and continuation for three additional years through 2018. The Second APEC EoDB Action Plan (2016-2018) emphasized capacity-building activities tailored to address the main challenges faced by economies when implementing reforms in the same priority areas. With the support of champion economies in each priority area, APEC achieved the goal of 25% improvement rates across the five priority areas by the end of 2018.

With the success of the Second EoDB Action Plan, the Third Action Plan proposes the introduction of three new priority areas, **Registering Property**, **Resolving Insolvency** and **Protecting Minority Investors**, as well as carrying over two key indicators that could see further improvement, **Enforcing Contracts** and **Getting Credit**.

The outcomes of the first two action plans shed light on lessons learned – what worked to improve the business-enabling environment. The first two action plans demonstrated that APEC saw uneven progress across sectors and economies. The APEC Policy Support Unit (PSU) noted that APEC experienced slower progress in areas where reforms required more levels of independent governmental actors (e.g., enforcing contracts and the need for engagement by both

the executive and the judiciary, which are independent arms of government in many APEC economies). In contrast, deeper progress occurred where reforms were mostly implemented directly by local governments, executive branches, or private sector (e.g., procedures to start a business, strengthening credit information systems). Capacity building also proved to be an important component that produced real changes. For instance, Indonesia received a diagnostic study with recommendations to abolish paid-in minimum capital as a condition to start a business, and thereafter implemented regulatory changes.

## V. Objectives of the Third Ease of Doing Business Action Plan

The goal of the Third APEC EoDB Action Plan is to improve the business environment in the Asia-Pacific region, and set an APEC-wide target of 12 percent improvement in priority areas by 2025. The baseline of percentage improvement will be set by the outcomes of the 2020 World Bank report for the 2020-2025 period.<sup>3</sup> Though this initiative will rely on the World Bank indicators to measure progress and improvement rates, APEC economies will have an opportunity to supplement the indicators with qualitative information to more accurately reflect changes in the enabling environment. In line with the APEC vision to look beyond measurements and indicators, APEC commits to strengthening economies and economic infrastructure beyond Doing Business rankings. This information will be collected as a part of the mid-term and final assessment.

The priority areas selected of the third phase focuses on encouraging inclusive and resilient growth, especially for women and SMEs. As many APEC economies made significant progress under **Getting Credit** during the First and Second EoDB initiatives, this proposal suggests a focus on women’s deeper participation in business and markets to achieve broader APEC objectives. Going beyond Doing Business under **Registering Property**, women’s access to property and inheritance rights, customary land tenure, and land use rights can enable more inclusive growth. Reforms in other priority areas, including **Enforcing Contracts**, **Protecting Minority Investors**, and **Resolving Insolvency**, lay the foundation for greater economic resilience by reducing transaction costs, enabling more secure investment capital, and providing for numerous tools to address economically distressed companies and SMEs navigating economic shocks.

### Priority Areas

| Priority Areas       | Champion Economies |
|----------------------|--------------------|
| Enforcing Contracts  | Korea              |
| Getting Credit       | *                  |
| Registering Property | United States      |

<sup>3</sup> Based on workshop discussions, economies preferred a shorter timeframe for the third EoDB initiative. However, this proposal suggests the initiative should be aligned with the next phase of structural reform agenda if EoDB becomes a separate pillar under the agenda.

|                               |                    |
|-------------------------------|--------------------|
| Resolving Insolvency          | Malaysia<br>Canada |
| Protecting Minority Investors | Chinese Taipei     |

\* Recognizing that this is being prepared while economies are reallocating resources to tackle COVID-19 related challenges, the EC will identify Champion Economies for some indicators at a later time.

## **VI. Capacity Building and Implementation plan**

Capacity building and technical assistance are vital to help economies overcome constraints and challenges in implementing doing business reforms. Capacity building is an opportunity to share best practices and experiences, identify constraints and recommend areas for reform, and will continue to be an integral part of the EoDB initiative.

Under the Third APEC EoDB Action Plan, APEC economies formulated an APEC EoDB Implementation Plan, which identified capacity building and technical assistance activities to be implemented under the new Action Plan. The implementation plan will be a living document, developed and updated through a consultative process with APEC economies at each Economic Committee Meeting. While the Third APEC EoDB Action Plan will be focused on the five indicators, economies interested in providing capacity building for the three previous indicators are encouraged to list them in the implementation plan.

## **VII. Ongoing activities in international organizations (World Bank, OECD, UNCITRAL, UNIDROIT)**

One key element to the success of the EoDB initiative is to leverage the ongoing work both in APEC, particularly in the Economic Committee, as well as other international organizations. The Third EoDB Action Plan proposes that EoDB initiatives will be coordinated with ongoing work in international organizations where possible.

## **VIII. Monitoring and Evaluation**

To assess APEC's progress in achieving the target of the Third APEC EoDB Action Plan (2020-2025), the APEC Policy Support Unit will conduct a mid-term (2023) and a final (2026) assessment that will be presented to the Economic Committee.

In addition to reviewing the progress of World Bank's Doing Business indicators, this review will complement quantitative analysis by taking into consideration qualitative improvements and anecdotal success stories specific to priority areas. Takeaways from previous initiatives indicate that the priority areas selected in this initiative will be relatively slow-moving and a challenge to see progress. In that vein, this proposal suggests that economies use supplementary methods beyond World Bank's indicators to demonstrate improvements.

Finally, continuing to seek improvements and progress in priority areas identified by the first two action plans remains vital. APEC economies should report on any improvements to these

indicators (Starting a Business, Trading Across Borders and Dealing with Construction Permits), which will be included during the report back on the EoDB the Economic Committee Meeting.