



# FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative



## INFORMAL ECONOMY RATE Summary

This document presents the findings of the Regional Agricultural Trade Environment (RATE) assessment conducted in the ASEAN region in 2012 by the Maximizing Agricultural Revenue through Knowledge, Enterprise Development, and Trade (MARKET) Project.



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# Informal Economy

## Regional Agricultural Trade Environment (RATE) Summary

USAID Maximizing Agricultural Revenue through Knowledge, Enterprise  
Development and Trade (MARKET) Project

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*On the cover:* Sharing the labor in Laos: Mother and Son harvest morning glory.  
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# In Brief

## INFORMAL ECONOMY

**Why the informal economy?** The ASEAN Economic Community (AEC) Blueprint calls for equitable economic development and enhanced competitiveness, dynamism, and resilience of ASEAN small and medium-sized enterprises (SMEs) by “facilitating their access to information, markets, human resource development and skills, finance as well as technology.” Much of the agricultural small enterprise sector operates informally and is disadvantaged as a result. These businesses are either not officially registered as enterprises or do not receive assistance from the public sector because they do not meet the local definition of a business. RATE offers opportunities for action, at both the national and regional levels, for engaging the informal economy and ensuring that it receives the benefits that the AEC Blueprint sets out.

### **ASEAN’s Approach**

ASEAN focuses indirectly on the informal economy through its support to micro, small and medium-sized enterprises (MSMEs), including enterprises in rural and agriculture-based communities. Though there is no ASEAN body or working group that addresses informality directly, a number of ASEAN’s sector ministerial bodies are charged with supporting the micro- and small business segments and with addressing issues pertaining to informal labor in agricultural economies. These include Agriculture and Forestry (SOM-AMAF); Rural Development (SOM-RDPE); Social Welfare and Development (SOM-SWD); and Labor (SOM-ALMM). In addition, the ASEAN SME Working Group (ASEAN SMEWG), composed of the SME agencies of all ASEAN Member States, has developed an agenda for supporting SMEs throughout the region, including those that emerge from the agriculture sector.

### **Regional Findings:**

In recent years, Member States have begun to identify and measure informality in agricultural communities as a step toward strengthening the capacity of these economies to contribute to international value chains. Agricultural enterprises do not register because the process is too burdensome and costly and the benefits too meager. Some Member States have responded by creating incentives to registration. A common approach to informality in ASEAN’s agricultural sector is to support nearly all stakeholders in the agricultural community, regardless of their registration status. Quality and access to support vary across countries, however, as well as within individual Member States. Cooperatives and farmer associations can improve efficiency but can also be challenging to undertake. Cooperative activities take place to varying degrees and with varying levels of success throughout ASEAN.

### **Opportunities for ASEAN and Regional Entities**

- Strengthen information gathering
- Finalize and implement the proposed ASEAN-SME Policy Index
- Promote flexibility in farmer group organizational structures

**Opportunities for Member States**

- Strengthen conditions for doing business in the formal economy
- Encourage women to formalize and grow their enterprises
- Encourage a culture of contracts



## AT ISSUE: ENSURING ACCESS TO RESOURCES FOR ALL WHO CONDUCT BUSINESS

Enterprises that do not or cannot register, for whatever reason, as official entities are called informal and generally operate outside government oversight. Whether large or small, businesses have a better chance for survival and growth when they operate within frameworks of legitimacy, including registration and licensing, established by the public sector. Informal enterprises have notoriously poor access to credit, with their borrowing options generally restricted to the “three F’s”—“friends, family, and fools”—or to more ominous sources, such as loan sharks or disreputable middlemen. Without formality, enterprises are typically not in a position to take advantage of services that might be on offer from the government, including business development support, standards compliance assistance, and marketing help. Nor can they do business with the government, either as suppliers of goods or service providers, or access regional or international markets, given increasingly prevalent requirements for quality and traceability. Perhaps most important, informal enterprises tend to trade among themselves, rarely accessing the growth opportunities that come from large, formal customers or regional supply chains.

Likewise, when most enterprises remain informal, the state cannot collect taxes and other revenue that could otherwise fund education, roads, or health facilities. What is more, governments cannot

enforce rules that affect everyone, such as those pertaining to fraud, environmental

protection, or public safety, efficiently. In agriculture, the quality of goods produced, processed, or sold by informal actors tends to be low, with consumers having little or no recourse when the food they purchase is of poor quality or even dangerous. Moreover, informal companies’ failure to contribute to the cost of government results in a vicious cycle of additional burdens, including taxes and licensing fees, on companies that have registered and submit to government oversight.<sup>1</sup> The extra costs borne by a limited number of larger, formal enterprises may keep the enterprises from creating new jobs.<sup>2</sup>

Notwithstanding the advantages of enterprise formality, both for individual companies and society at large, it does not necessarily follow that introducing processes that support formality leads to immediate growth in individual firms. In many cases, particularly in agriculture, small enterprises remain informal precisely *because* the rules for



**What is the informal economy?** Economists describe it using unsavory terms like *underground*, *shadow*, *gray*, *unofficial*, *unobserved*, *hidden*, and *parallel*.

### How Informal Economy Relates to Other RATE Topics

**Gender.** Women-run enterprises tend to remain informal, and many women are shut out of opportunities to grow their businesses.

**Infrastructure.** Without a formal voice, a very small business has less access to public procurement and advocacy for better infrastructure for agriculture.

**Intellectual property.** With no access to bureaucratic functions, small entrepreneurs cannot protect innovation.

**Access to finance.** Collateral is often nonexistent for informal business.

**Transparency and accountability.** Lack of transparency is often the biggest barrier to formalization.

registration and licensing are overwhelming or burdensome. Compliance requires the use of resources that, at least in the short term, may diminish productivity and efficiency in other respects. Again, a vicious cycle emerges: Registration with the state attracts obligations such as taxes, health and safety controls, and labor requirements, informal companies continue to work informally, in tacit acquiescence to the “perverse disincentives for growth.”<sup>3</sup>

Enterprises based in agriculture—including producers, processors, and traders—have a number of options for entering the formal economy. Microenterprises (typically the activity of individuals or families) can disclose to the government their status as sole proprietorships or household enterprises, often by way of the taxation process or local administrative requirements. Slightly larger businesses—for example, enterprises that engage non-family members as regular sources of labor—may file with the requisite company registry and assume the form of a partnership, a limited liability company (LLC), or the like. Agricultural enterprises may also become formally established as farmer organizations, which usually fall under NGO law and registration procedures, or cooperatives, which typically have their own systems of registration and governance. Certain structures—usually cooperatives—may carry historical baggage that makes them unpopular, notwithstanding their successful realization in many developed economies. Formation as an NGO may seem relatively convenient at the outset but may ultimately limit a farmers’ organization’s profit-making opportunities.

With respect to informal business in ASEAN’s agricultural sector, the question is deceptively simple: How to support small agricultural enterprises, which engage a large proportion of ASEAN’s workforce, while not overburdening them with regulations and fees that deter them from assuming the benefits and obligations of formality? In interviewing small-scale actors throughout ASEAN’s agricultural community—including family farmers, microenterprises, small processing companies, local and regional traders, and others—the RATE assessment found that solutions, from their perspective, do not immediately lie in setting out to register businesses with the local, regional, or national authorities. Rather, governments that address challenges typically faced by the informal sector—by reducing bureaucracy, improving access to services, decreasing corruption, and offering more incentives—ultimately incentivize greater formalization in their respective economies.

This topical analysis summarizes the challenges to the informal economy in ASEAN Member States, outlines the approaches ASEAN and Member States are taking to address the needs of the informal economy, and makes recommendations for reform that take into consideration the needs, challenges, and opportunities in the region.

## **WHAT IS ASEAN’S APPROACH TO ENTERPRISE INFORMALITY?**

The presence of informal enterprise in most ASEAN agricultural economies is plain to see—from subsistence farms; to casual producers of cash crops such as coffee, cocoa, and spices; to market stalls and street vendors; to casual trading enterprises; and to workers engaged off the books by farms, plantations, and processing facilities. Yet there is no single definition of enterprise informality used among ASEAN Member States nor a reliable measure of informality. In fact, small agricultural producers and workers are often excluded from official counts of informality, which tend to include industrial and service-oriented work but expressly exclude agricultural activity.

ASEAN addresses informal economy problems indirectly through support to micro-, small, and medium-sized enterprises (MSMEs) and small and medium-sized enterprises (SMEs), including enterprises doing business in rural and agriculture-based communities. Though there is no ASEAN body or working group that addresses informality directly, a number of ASEAN's sector ministerial bodies are charged with supporting the micro- and small-business segments, and with addressing issues pertaining to informal labor in agricultural economies. These include Senior Officials Meeting on Agriculture and Forestry (SOM-AMAF); Rural Development (SOMRDPE); Social Welfare and Development (SOM-SWD); and Labour (SOM-ALMM). In addition, the ASEAN SME Working Group (ASEAN SMEWG), composed of the SME agencies of all ASEAN Member States, has developed an agenda for supporting SMEs throughout the region, including those in the agriculture sector. This agenda includes sharing best practices in developing supportive business environments and training for officials charged with promoting and supporting entrepreneurship.

Senior Officials Meeting	MSME-related Activity
SOM-AMAF	Formulate and implement regional cooperation activities to enhance the international competitiveness of ASEAN's food, agriculture, and forestry products and strengthen the region's food security and joint positions in international forums
SOM-RDPE	Promote community-driven activities and people-to-people interactions aimed at narrowing the development gap in the region with a focus on five areas: advocacy and linkages, knowledge, resources, expertise, and regional cooperation and regional public goods
SOM-SWD	Foster cooperation in social development aimed at raising the standard of living of disadvantaged groups and the rural population, and seek the involvement of all sectors of society, in particular women, youth, and local communities
SOM-ALMM	Address employment generation, labor market monitoring, labor mobility, social protection, and tripartite cooperation
ASEAN SMEWG	Develop (1) a common curriculum for entrepreneurship in ASEAN (2008–2009); (2) comprehensive SME service center with regional and subregional linkages in AMSs (2010–2011); (3) SME financial facility in each ASEAN Member State (2010–2011); (4) a regional program of internship scheme for staff exchanges and visits for training (2012–2013); and (5) a regional SME development fund (2014–2015)
ASEAN Foundation	Support programming in women's entrepreneurship and opportunities in microenterprise development for cooperatives in Southeast Asia

SOURCE: ASEAN.org

In October 2012, an independent midterm review of ASEAN's progress toward achieving the goals of the AEC Blueprint conducted by the Economic Research Institute for ASEAN and East Asia (ERIA) found that regional programs aiming to develop and support SMEs had proven largely ineffective.<sup>4</sup> According to ERIA, “[T]he region's SMEs, while positive overall about AEC and the potential of the ASEAN market, feel they have limited information on specific AEC-related initiatives; this lack of information usable to the business appears to be one key reason for the limited use of preferential provisions in existing ASEAN economic agreements.” With respect to future ASEAN support for SMEs, including linkage to regional production networks and local industrial clusters, ERIA advised that “better design of the regional programs and greater concordance of regional and national initiatives is warranted.”<sup>5</sup>

In the midterm review, ERIA also notes its cooperation with the ASEAN SME Working Group in the development of a regionwide SME Policy Index, a “methodical monitoring tool of the progress (or lack of progress) of the various facets of the policy environment facing the region’s SMEs over time and via-a-vis some best practice reference points.” In January 2012, a working group charged with the development of the index conducted a three-day workshop to examine the following potential areas of review:

- General SME policy and business environment
- Cheaper and faster start-up and better legislation and regulation for SMEs
- Access to finance
- Technology and technology transfer
- Market access and getting more out of the single market
- Entrepreneurial education and training
- Information and communication technology (ICT) and information access
- Developing stronger, more effective representation of small enterprises’ interests.<sup>6</sup>

Although “informal economy” is not listed, several issues relate to the informal economy: the business environment, conditions for start-up and regulation, and representation of small enterprises’ interests. At the time of the workshop, ERIA aimed to gain endorsement for further development of the SME Policy Index from the SME Working Group in the spring of 2013.

In the meantime, seven of the 10 ASEAN Member States—all but Cambodia, Laos, and Burma—belong to the Asia-Pacific Economic Cooperation (APEC) organization. APEC has challenged its members to improve their scores in five areas of the World Bank/International Finance Corporation Doing Business index, including starting a business, by 25 percent by 2015. Although Singapore is number 1 overall in the *Doing Business in 2013* survey, other ASEAN countries lag behind. This challenge has led a number of them to simplify procedures for the types of businesses measured by Doing Business, namely, LLCs.

## INFORMAL ECONOMY IN ASEAN: RATE ASSESSMENT HIGHLIGHTS

The RATE assessment reviewed informal enterprises in ASEAN’s agriculture and agricultural trade sectors in four parts: legal framework; implementing institutions; supporting institutions; and social dynamics.<sup>7</sup> Questions covered the legal and institutional framework for private enterprise generally and the agriculture sector specifically. The findings are set forth below.

### **Measuring the informal agricultural sector: What is it? Who is it?**

An inherent problem of informality is the gap in information it creates. A corollary to the well-known saying, “What gets measured gets done,” is “If you can’t measure it, you can’t manage it.” When the informal economy operates in the shadows and goes essentially unobserved, then it is difficult to determine its characteristics, much less what it needs and a strategy for growth. Before the informal sector can be measured, it must be defined.

According to the U.N. Economic and Social Commission for Asia and the Pacific, “It is much easier to describe the informal sector than to provide an exact definition of it. The informal sector can be seen on streets, sidewalks, and back allies of cities and includes petty traders, street vendors, coolies and porters, small-scale artisans, and shoeshine boys.”<sup>8</sup> In addressing informality in Asia and the Pacific, the International Labor Organization defines “informal economy” as “all economic activities by workers that are—in law or in practice—not covered (or insufficiently covered) by formal employment arrangements” and states that 60 percent of the workforce in the region is covered by this definition.<sup>9</sup> Other definitions focus not on employment status, but on the state of providing for one’s “own account” via casual work or by creating an unregistered microenterprise or household business.<sup>10</sup> Still others emphasize the many dimensions of informality found in large and small enterprises that “operate partially or wholly outside the law by underreporting employment, avoiding taxes, ignoring product quality and safety regulations, infringing copyrights, and even failing to register as legal entities.”<sup>11</sup>

Even when the scope of the issue is defined, measuring the informal economy in Southeast Asia is especially challenging, as the chief statistician of the Indonesia Bureau of Public Statistics explained in a 2011 report by the Asian Development Bank:

[B]ecause of their very nature, informal production units are difficult to locate, have high turnover, and have financial accounts and assets that cannot be easily separated from the households that own them. Also, surveying informal production units requires more effort and costs than the regular establishment or household surveys. This is perhaps the very reason why very few statistical systems in Asia have data series on the informal sector and informal employment.<sup>12</sup>

Indeed, efforts to measure informal economies in ASEAN Member States often result in estimates that are so broad as to be meaningless. For example, in the Philippines, the ILO has defined the informal economy as “independent, self-employed small-scale producers and distributors of goods and services” and estimates that 40 percent to 80 percent of Filipinos toil in this way—an exceptionally broad assessment.<sup>13</sup> Similarly, as a USAID commercial legal and institutional assessment of Indonesia (2007) noted, “Estimates of informal enterprises as a percentage of Indonesian GDP range from 19.8 percent to 38 percent to 75 percent.”<sup>14</sup>

In Vietnam, according to the ILO, “the informal sector could account for up to 20 percent of GDP and 23.5 percent of total employment.”<sup>15</sup> This estimate, based on government figures, however, deliberately excludes the agriculture sector. According to Vietnam’s Institute of Labor Science and Social Affairs, in *addition to* the 23.5 percent of the population working in informal nonagricultural activities, more than 48 percent work in agriculture—and a full 92 percent of those—“own-account” or “family” workers<sup>16</sup>—qualify as “vulnerable.” Similarly, efforts to measure the informal economies in Malaysia and Thailand generally exclude agricultural enterprises.<sup>17</sup>

The exclusion of agriculture, though not inconsistent with certain worldwide norms, means that the presence of both informality and formality in farming communities goes significantly unmeasured. The continuum of informality—from pure subsistence activity to agricultural enterprise that, though not formally registered, makes significant contributions to local livelihoods—remains only vaguely captured by national statistical agencies.

In recent years, most ASEAN states have endeavored to study their respective informal economies, including, in limited instances, agricultural informality. For example, with support from the Asian Development Bank, Indonesia has taken steps to measure its informal economy with greater consistency and care. Separating agriculture from nonagricultural enterprise, a 2011 Bureau of Public Statistics report shows that, while informal activity tends to be far greater in the agriculture sector than in other enterprise sectors (such as wholesale and retail trade, tourism and lodging, education and health, and construction), informal agricultural activity contributes significantly to the GDP of rural areas, *and* formal activity is significant in local agricultural economies.<sup>18</sup>

As ASEAN Member States increasingly trade their agricultural products (including both farm and fish products) in regional and international markets, the distinction between informality in agricultural enterprise and nonagricultural enterprise becomes less meaningful. Identifying, measuring, and addressing informality in agricultural communities is critical for strengthening the capacity of these economies to contribute significantly to international value chains.

### **Opening the door to formalization: Simplifying bureaucracy and cutting costs**

The issue of informality is often regarded almost exclusively as a matter of registration of a business with government authorities. The World Bank and International Finance Corporation's annual Doing Business report<sup>19</sup> scores and ranks countries on 10 topics, including the time, cost, and procedures for starting a business. Implicit in this analysis is that, if an entrepreneur goes through the business registration steps outlined in Doing Business, he or she will be "formal." But this assumption is fraught with misunderstanding: Formality is not activated as if by switch, either on or off, but a continuum, especially in the agricultural context, that starts with a subsistence family enterprise that is least nominally connected to markets and services, and ends with larger businesses that, while technically unregistered with the authorities, may contribute significantly to local livelihoods, may be eligible to receive support in the form of extension services and credit, may participate in associations or cooperatives that are themselves formalized, and are often subject to enforcement of certain regulations. So, while Doing Business has challenged countries all over the world to make registering easier (thus, not incidentally, improving their Doing Business rankings), most Member States still engage in some degree of outreach to informal

#### *View from the Philippines*

### **FIVE STEPS TOWARD SIMPLIFICATION?**

According to Doing Business in 2013, starting a business in a Philippine city takes an average of 16 procedures and 36 days, and costs 18.1 percent of income per capita—one of the most cumbersome such processes in the region. The minimum paid-in capital requirement to start a business in the Philippines is at least PHP 5,000 (US\$107), equivalent to 4.8 percent of income per capita.

In recent years, individual cities have taken steps to ease the business start-up burden on local firms. The Standard Business Registration and Permit Process is a joint initiative of the League of Cities of the Philippines, the Department of the Interior and Local Government, and the Department of Trade and Industry. Launched in 2009, the new process aims to simplify and standardize business registration and permit processes in Philippine cities. To achieve this, five major reforms were implemented: (1) the unified, single business registration application form, (2) the strengthening of the Business Permits and Licensing Office to coordinate the Standard Business Registration and Permit Process, (3) one-time assessment for all business registration-related fees and charges, (4) one-time payment at the City Treasurer's Office, and (5) creation of a joint inspection coordination team composed of several licensing offices involved in business registration. The first four reforms were piloted in Mandaluyong.

agricultural enterprises and provide support for private sector initiatives that encourage formality, such as private extension and business development services.

**WORLD BANK/IFC, DOING BUSINESS RANK AND COST TO START A BUSINESS IN ASEAN (% OF INCOME PER CAPITA), 2008–2013**

Member State	Rank 2013	Cost					
		2008	2009	2010	2011	2012	2013
Singapore	1	0.8	0.7	0.7	0.7	0.7	0.6
Malaysia	54	23.1	18.9	15.6	17.5	16.4	15.1
Lao PDR	81	14.7	11.6	9.7	8.9	7.6	7.1
Thailand	85	7.9	7.4	7.7	6.9	7.0	6.7
Vietnam	108	20.0	16.8	13.3	12.1	10.6	8.7
Brunei	135	9.0	9.2	9.8	13.5	11.8	10.7
Philippines	161	24.1	22.7	21.6	22.1	19.1	18.1
Indonesia	166	80.0	76.7	25.0	25.8	23.5	22.7
Cambodia	175	190.3	151.7	138.4	128.3	109.7	100.5
Burma	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Total number of countries ranked is 185.

In ASEAN there is tension between policy interventions aimed at capturing the benefits of formality and the reasons why certain enterprises do not register. In Thailand, the cost of registering an LLC has remained stable in recent years—in the range of 7 percent of per capita income—but the country has made substantial improvements in the time and number of procedures necessary to start a business. Nonetheless, for Thailand, this is not the end of the story. What has proved a substantial improvement for larger or more complex companies has been to the detriment of smaller, less sophisticated businesses. For sole proprietors, nothing has changed. Registration still involves making contact with a rarely occupied desk in a municipal office. During the RATE assessment, one informal entrepreneur noted that the government simply assumes people do not want to register, and therefore puts few resources into making the procedures available. Whether because of a lack of incentive or because government does not care, few businesses ever register as sole proprietors or simple partnerships. If a small business—say, a rural family feed processor—wants the protection given to LLCs, the proprietor discovers that the registration process can no longer be done without a computer and significant bureaucratic literacy, and rather than gaining legitimacy has become even more disadvantaged by the improvements to the system that made registration simpler for the sophisticated.

In Indonesia, myriad disincentives keep small enterprises from joining the formal economy, beginning with the cost of LLC formalization. Indonesia's capital requirement for launching a new business (between 31 percent and 46 percent of the country's per capita income) is exceptionally high, both for the region and the world. And capital requirements have *increased* in the past four years. Moreover, the requirement for notarization of documents similarly slows registration and makes it expensive. As

recounted by an Indonesian researcher during the RATE assessment, “Villagers and farmers prefer the informal sector ... Formal processes in Indonesia require bureaucratic procedures that take a long time. Their thinking is: ‘I prefer informal sector because everything can be done faster. If I had a bigger business, perhaps I would try to formalize.’”<sup>20</sup>

For other agricultural entrepreneurs in ASEAN, registration has indeed become easier. Laos has improved its environment for formal business registration by simplifying steps and dropping capital requirements. Nonetheless, the majority of agricultural businesses have little incentive to formalize because the average business is simply too small to meet even simplified requirements. There are no penalties for noncompliance, however, and indeed, no expectation that smaller players are on track to participate in the formal economy.



***On the Indonesian island of Sumatra, a small, informal coffee producer keeps watch over his stock.***

In Vietnam, the process of business formalization receives widely disparate reviews. Some entrepreneurs reported that registration is straightforward, while others assert that it is complex and cumbersome. The difference may lie in the interpretation of the question—some respondents may be considering mandatory licensing procedures along with basic registration procedures—or in the location or capacity of the office where registration takes place. Most agricultural enterprises understand the case for *not* formalizing—like their peers in Indonesia, they cite complex licensing or certification procedures, burdensome paperwork and taxation procedures, and corruption.

In recent years, Vietnam has increased its efforts to simplify new business registration. For example, unlike many countries, Vietnam does not have a capital requirement for launching a business. There remains, however, a great deal of confusion about the requirements for business formalization. On the one hand, Vietnam offers an alternative to the LLC model for household enterprises. There are three requirements for registering a household (small) business: (1) the business must be owned by a Vietnamese person and may employ up to 10 people; (2) if it engages in agriculture, forestry, fishing, or salt production and earns a low income, the business does not need to register (The people's committee decides if the business's earnings are less than the threshold to register); and (3) any household business that employs more than 10 people must register as an enterprise. On the other hand, according to a 2010 study by the ILO, "a vast majority of informal household businesses actually believe that registration is not compulsory, although ... most of them should be registered [in some fashion] according to official regulations."<sup>21</sup> More clarity on the registration requirements is needed.

### **Carrot or stick? Incentivizing formalization**

Understanding that formality, including in the agriculture sector, can have many positive results, governments in ASEAN may take different approaches to formalizing businesses. They may

- Make the system for formalization less burdensome,
- Incentivize formalization or punish informality, or
- Offer services despite informality in exchange for information that will help in the pursuit of new solutions.

Almost all Member States take some combination of all three approaches. Virtually every ASEAN Member State incentivizes formalization more than it punishes informality.

The strongest example of incentives being used to encourage formality of enterprise is found in Malaysia. For the past generation, the Malaysian government has used its increasing economic advantages, including substantial oil revenues and a healthy trade surplus, to promote formal economic activity, including through robust incentives. The government has developed a variety of policies and institutions to support competitive, innovative, and resilient SMEs. The National SME Development Council, an umbrella organization for the many agencies that support small business development, meets four times a year to coordinate policy instruments that support its goal of having SMEs support 40 percent of national GDP (as of 2012, the figure is about 32 percent).

Through its extensive system of support for small enterprises, the Malaysian government at both the national and local levels promotes and facilitates the many benefits of formalization. Both national and local government agencies provide access to practical advice, some working and long-term capital for new businesses, networking opportunities, marketing support, and more. The businesses they work with tend to be formalized in some fashion, such they are known to the government and included in formal counts of private enterprises. The major national institution charged with supporting new and smaller businesses, SMECorp, offers a host of services, including encouragement of technology and innovation; support for human capital needs; advice on market access and access to capital, and others. The government encourages entrepreneurial activity among small businesses by exempting companies employing five or fewer people from some of the more costly business regulations.

In addition, in Malaysia's agriculture sector, the government provides significant marketing support to small enterprises that join the formal sector. Established in 1965, the Federal Agricultural Market Authority (FAMA) sets targets and product standards, monitors agricultural performance, and develops marketing strategies for Malaysian agricultural products. FAMA's Market Intelligence Division gathers information on plantation price, raw material wholesale and retail prices, processed product retail prices, consumption per capita, institution consumption, manufacturing consumption, factory consumption, agriculture area, total production, agriculture product entry to wholesale markets, and international business. FAMA also supports participation of formally established agricultural enterprises in trade shows and other marketing opportunities.

Thailand has also taken steps to match the obligations of formalization with benefits. Officials from the Department of Agriculture routinely visit facilities and assist farmers with requirements, including paperwork, to get the certifications necessary for processed agricultural products. District cooperatives also help. Inspectors come several times before granting a certificate, until the processor meets the requirements. Universities—one prominent example being the Far Eastern University in Chiang Mai—also assist new agricultural enterprises in obtaining licenses and permits. One objective of the assistance is to prime Thai producer for participation in the country's significant agricultural export markets.

### **Formal treatment without the fuss: Making services available to the informal economy**

As noted, a common approach to informality in ASEAN's agricultural sector is that of support for nearly all stakeholders in the agricultural community, regardless of registration status. The quality of support, and the ease of access to support, vary across countries and within individual Member States. To varying degrees, agricultural enterprises may be provided with government extension services or, when high-value commodities are concerned, opportunities to take advantage of privately supplied services. In addition, both publicly and privately supplied business development services (BDS) are of increasing interest and popularity in agricultural communities.

In Vietnam, a variety of services exist—both extension-oriented and BDS—that have the potential to support the formalization of agricultural enterprises, including government and donor-sponsored

#### *View from Thailand*

### **OTOP: REACHING INTO THE INFORMAL ECONOMY FOR SIGNATURE PRODUCTS**

Thailand's One Tambon, One Product (OTOP) project reaches out to subdistrict-level ("tambons"), informal small enterprises and registers them in groups. Registration in this context does not mean full-fledged formalization, but rather semiformalization, in which the Ministry of Commerce is informed of their existence but they do not pay taxes.

Modeled on Japan's successful One Village, One Product initiative, OTOPTOP encourages communities to improve the quality and marketing of local products and selects one product from each tambon to receive branding. OTOPTOP products include traditional handicrafts, cotton and silk garments, pottery, fashion accessories, household items, and food.

In Chiang Mai, the Provincial Agricultural Office operates a special fund for a women's organization called the Housewives Group. The members are small-scale food (or other) processors. The group's mission is to develop products good enough to become an OTOPTOP brand, which gives them access to fairs, sources of funding, and reputational advantages. The Agricultural Office facilitates training on production and how to add value. The office advises on business development and helps businesses find markets for their products.

programs, business association–sponsored programs, NGOs, and for-profit services. Most private services—including consultants, accountants, IT services, and others—are targeted at larger, formally registered enterprises. These services are more accessible in urban areas, while extension services, producer organizations, and NGOs assist rural enterprises more. Some larger companies that seek higher-quality agricultural products are eager to see the development of small, private consulting companies that could make up for weaknesses in public extension programs. In certain sectors, the needs of informal producers are considered particularly underserved.—for example, small producers of fish, who are neglected and vulnerable to business cycles because of a lack of understanding of supply and demand, food safety, storage, and product preservation.

In the Philippines, the Department of Agriculture supports a variety of extension programs and BDS for farmers. Many programs are implemented with grants to localities. But because the staff responsible for overseeing these programs are deployed at the regional level, program

administration is the responsibility of local officials, who often lack the substantive and administrative expertise to ensure their effective delivery. The deployment of Department of Agriculture personnel at the regional level also weakens program oversight and reporting.

In Indonesia, private sector BDS are expanding and take many forms. Most services are targeted at existing high-potential companies that would benefit not merely from compliance with registration and licensing requirements, but also from formalization in human resources management, use of contracts, marketing, and other aspects of doing business. BDS are far more available in urban areas; while extension services, producer organizations, and NGOs are more available in rural areas. Even when a service is provided by a public sector institution, demand is increasing for private sector orientation and connection with finance, investment, and marketing opportunities.

In Laos, the government provides significant extension services oriented to agricultural productivity and appears to be making considerable effort to reach a larger segment of the community. Yet lack of access to BDS is of serious concern according to donors, NGOs, and some larger businesses. Everything from legal and accounting services to marketing is absent from the commercial landscape generally, and especially from agriculture. Thus, even motivated firms may miss out on opportunities to strengthen their compliance with formal systems.



***A Thai entrepreneur sells dried calamari and popcorn from a small boat.***

## Another avenue of formalization: Farmer associations and cooperatives

Enterprises that work informally, including small producers, have a great deal to gain from pooling resources, particularly with respect to their inputs, outputs, and marketing activities. The cooperative model, or, less formally, a no-rigid farmer association model, holds enormous potential for domestic agricultural enterprises. But these models can also be enormously challenging to undertake. The RATE assessment found a full spectrum of cooperative activities with varying levels of success throughout ASEAN.

In Thailand, farmer associations and cooperatives are considered an important mechanism for otherwise small, informal players to work collectively in the market. They support the entry of new businesses into the agriculture sector in a variety of ways, including by (1) acting as buyers to provide equipment and resources such as fertilizer, seed, and tractors for farmers at a better price; (2) acting as middlemen in securing investors or buyers for the farmers; (3) providing start-up capital or loans more easily than commercial banks and at lower interest rates (but also lower values) and (4) providing education and consulting on farming, planning, financing, and managing.

In Cambodia, the government aims to strengthen the role of cooperatives but has a long way to go in establishing a framework that farmers support. In 2011, the government announced a draft law that would require that every cooperative provide annual financial audit reports to the Ministry of Agriculture. This law received negative reactions from farmer representatives (including Farmer and Nature Net, a farmer organization), who asserted that it was not realistic to expect farmers to organize the necessary documents for such audits. As a result, the clause regarding financial audit reports was removed from the draft law. As of late 2012, a final cooperative law had not been enacted. Still, donors, NGOs, and the government in Cambodia promote informal cooperatives in rural areas which provide a variety of support services, including community building, house construction, income generation for landless or land-poor women, and access to credit.

In the Philippines, the establishment of formal cooperatives is often the result not of farmer initiative but of bureaucratic circumstance. The cooperative structure is driven by the decades-long land reform program under which ownership of previously privately held land has been conferred upon the land's residents. There are stringent limitations on the scope and transferability of deeds to the land, which require joint tenancy, and in some cases carry up to 100 signatories on a single deed. Conveyance of the land may be limited even if all joint tenants agree. These conditions have resulted in the establishment of large and often unwieldy cooperatives. Despite efforts to provide assistance to these cooperatives, a lack of shared interests and governance issues have limited the effectiveness of development programs. Other, smaller village farm cooperatives have more success in reaping the benefits of capacity building and other assistance programs. The ASEAN Foundation has provided program support to some women's cooperatives in the Philippines, explaining that "Women in the microenterprise sector ... have less access to productivity resources, information and services and lack the capacity to compete in the market. This situation is more prevalent among micro entrepreneurs who are in cooperatives."<sup>22</sup>

### *View from Vietnam*

#### **FLEXIBILITY IS KEY**

The government of Vietnam wants farmers and small agricultural processors to get together in groups. Cooperatives? Associations? The government says "whatever works." Informal grouping gives the farmers flexibility to adapt to the market circumstances, whereas, says the government, cooperatives and traditional associations force groups to adapt to the sometimes complex regulations that govern them.

### **The use of contracts as an indication of formality**

The continuum of informality/formality involves not just an enterprise's relationship with the government—that is, whether it is registered and licensed and pays its taxes—but also its relationships with the entities with which it does business. In almost any environment, an increased formality of transactions—that is, more clarity, transparency, and predictability in business relationships—appears to result in more satisfactory business opportunities for more people. Thus, a culture of contracts—a business environment in which written contracts are used, with the expectation that they can be enforced in a reasonable amount of time by an impartial third party—is known as an element of formality that strengthens a business environment. In agriculture in particular, contract farming is a common practice, but, again, one that has varying results throughout ASEAN. Contracts appear to be used with greater effect when there is a “level playing field” between buyers and sellers of goods.

The strongest experiences with contract farming are found in Thailand. Small farmers often accept valuable inputs—including seeds, feed, and fertilizer—from larger buyers in exchange for a promise to deliver the products that they help produce. In most cases, the agreements are informal, verbal, and based on trust. Even when there is a written contract, it does not signify much for the parties, because there is little expectation that it will be enforced through Thailand's court system. Rather, contracts are sometimes effectively enforced through experience—a reputation of the buyer for giving a fair price and returning with new business—or, sometimes, intimidation of the farmer by the larger party. Despite drawbacks, contract farming appears to work for both sides, according to stakeholders interviewed during the RATE assessment. The same model appears to work less well in other ASEAN Member State settings, where there is less trust between the farmers and the buyers. For example, Indonesia's larger enterprises are increasingly adept at using formal contracts to engage foreign customers, suppliers, and investors. But contract farming practices are fraught with mistrust, especially where the local power of middlemen results in severely unbalanced commercial relationships over the long term.

For its part, Laos does not have a strong tradition of written contracts; indeed, outside the cities, written contracts or leases are the exception rather than the rule. Many contracts are written by nonlawyers. Even when lawyers do draft contracts, the resulting documents are often of low quality. Except among foreign investors and large enterprises, contract negotiation and drafting are not given a high priority. Furthermore, implementing institutions are weak, and contract enforcement is slow and unreliable. Nevertheless, written contracts are becoming more common and widely accepted in the small, city-based commercial landscape.

Among larger Vientiane businesses, at least, contract negotiation is an accepted practice. The few practicing lawyers are gradually becoming more adept at writing contracts. Various form contracts are coming into use. In addition, both written and oral contracts benefit from several mechanisms of nonjudicial dispute resolution. In agricultural trade, many people assert that while contracts are becoming more common (as in contract farming), so are breaches of contract. The National University of Lao Faculty of Agriculture raised this issue as a major obstacle to the growth of contract farming.

Perhaps because of its many ties to international commerce, as both importer and exporter of goods, Malaysia in many ways supports a culture of contracts as critical to the viability of its public sector. Companies engaged in international trade or investment relationships know that their contracts will usually contain arbitration clauses that entail dispute resolution in third-country tribunals. With respect to smaller companies, contracts are far less widely embraced, and practices in the agriculture sector are far less formal than in other sectors. In counseling new businesses, SMECorp advises them about the best ways to extend credit and otherwise develop secure business relationships. As a practical matter, however, SMEs report significant difficulty enforcing contracts when faced with a breach. The cost of hiring a lawyer and collecting on a judgment is often greater than the value of the contract at issue.



***In Laos, a farmer group pores over a contract.***

## OPPORTUNITIES FOR ACTION

Within ASEAN and its Member States, there are many pathways to change. Important reforms can be moved forward by a single, visionary champion or a by a groundswell of influential stakeholders. Some reforms may take a number of years to take root, while others are a matter of empowered actors acting quickly and decisively in a way that reflects both public demand and international best practice. In most cases, a “big idea”—including the type that is often promoted by international organizations such as the World Bank—can be broken down into many smaller tasks, which, again, can be seized by a variety of public and private actors. Accordingly, the Opportunities for Action set forth below are intended to be multifaceted. They may be accessed as a foundation for regional or domestic policy development, as a resource for private-sector initiatives, as a benchmark for tracking change, as a reference for academic instruction, and, most immediately, as a “jumping off point” for stakeholder discussion and consensus-building.

### Opportunities for ASEAN and Regional Entities

#### *Strengthen informal economy information-gathering, beginning with a shared definition*

Information about the needs of the informal agricultural community, as well as the various approaches Member States are taking to informality, is lacking. Any number of regional institutions—universities, think tanks, a business association, or even ASEAN itself—can contribute to better understanding of the issue by developing a database of standardized information, statistics, and commentary about the informal economy. Beginning with the establishment of a *region-wide definition of informality* that captures the portion of the agricultural economy that is most limited by the burdens of informality, ASEAN can then compile information on:

- The number of informal agricultural participants;

#### *View from Indonesia*

### **RATHER THAN COOPERATIVES, A PREFERENCE FOR FARMERS' ASSOCIATIONS**

Under Dutch colonial rule, farmers distrusted cooperatives, considering them politically oriented entities. The first post-independence cooperatives law was enacted in 1967, and replaced in 1992. The law is thought to be not inconsistent with international best practice. However, bureaucratic constraints and wariness of the government, as well as limitations in organizational capacity, result in most farmer organizations remaining informal. Today, around 25 percent of Indonesia farmers belong to farmer or producer organizations and there are approximately such 318,000 organizations nationwide (IFPRI 2011).

Farmers prefer to be members of informal groups as that type of organization more fits their needs and because farmers perceive the legal framework as insufficient, too complex, or that formality inhibits flexibility. Cooperatives have legal requirements (fund regulation, auditing, voting, bylaws, registration with the Ministry of Agriculture) that farmers find difficult to meet, or the law requires a business model that doesn't fit how farmers sell their production or purchase inputs.

Few of the farmers interviewed by RATE wanted the associations or farmers groups of which they are a member to be involved in group activities like buying inputs or selling production. In some cases, the provincial government required that farmers create an association in order to receive assistance. The government provided training to farmers who were able to organize a group on association management, basic accounting, etc. The farmers however, have had little use for the association beyond the receipt of assistance. They have used their fellow farmers to trade information and techniques, but not much beyond that.

- Estimated GDP in the informal economy; and,
- Government policy on dealing with the informal economy (E.g., easing registration burdens, incentivizing registration, and/or providing capacity building despite informality).

### ***Finalize and Implement the proposed ASEAN-SME Policy Index***

As noted, the ASEAN SME Policy Index is a joint effort of the ASEAN SME Working Group and the Economic Research Institute for ASEAN and East Asia which, according to the ERIA midterm review of the ASEAN Economic Community Blueprint, has been backed by the ASEAN Leaders. It is still under development, with strong cooperation of the OECD, which originated similar SME Policy Indices for the Balkans and the Middle East and North African countries. As of March 2013, ERIA is carefully developing the index in cooperation with the SME Working Group so that the priorities of all Member States can be duly incorporated. Ultimately, the index will reflect a shared regional view about priorities for SME development, including the fundamental issue of business formalization. Implementation of the index will illustrate how different Member States are achieving best practices of SME development and allow for observation and integration of positive experiences found across regional borders.

### ***Promote flexibility in farmer group organizational structures***

As previously discussed, microenterprises choose to join the formal economy not as independent entities, but by way of farmer organizations, which usually fall under NGO law and registration procedures, or as cooperatives, which typically have their own systems of registration and governance. Certain structures—usually cooperatives—may carry historical baggage that makes them unpopular, notwithstanding their successful realization in many developed economies. Formation as an NGO may seem relatively convenient from the outset, but may ultimately limit a farmers' organization's profit-making opportunities.

The model of encouraging farmers to work together to achieve efficiencies in production and marketing and to improve product quality is one on which there is general consensus about the benefits. In particular, small-scale farmers who resist opportunities to coordinate efforts diminish their own potential and livelihood. That said, despite years of interventions and effort, donor experience in developing farmers' organizations has been mixed. Although there is a wealth of lessons learned in this topic, those lessons may not be shared as effectively as they might. Researchers on this topic should work together to analyze support directed to farmers' organizations in ASEAN Member States, with an eye toward lessons learned and pitfalls to be avoided.<sup>23</sup>

Once more is known about success and failures among farmer organizations, ASEAN Member States would benefit from a set of model guidelines or regulations they can use to create facilitative structures for farmer groups and cooperatives that carry the trappings and advantages of formality, such as limited liability and strengthened access to finance. In many Member States, significant government attention has been paid to assisting in the formation of small farmer groups to replace or complement cooperatives. As the national and regional governments move forward in establishing the ideal environment, care must be taken to build in flexibility and pragmatism so that groups can operate efficiently.

## Opportunities for ASEAN Member States

### *Strengthen the conditions for doing business in the formal economy*

Although Member States have made great strides toward encouraging entrepreneurship, there is often little consistency in the direction the public sector takes with respect to promotion and formalization of private enterprise. Private sector representatives observe a lack of coordination of national and local policy pertaining to key value chains. Indecisive behavior by government trickles down into poor coordination at the farmer level, most of which operates informally. In particular, in many Member States, launching a formal enterprise in rural areas remains difficult. Although the various laws on enterprise provide routes to formality for all, the clear emphasis of government is too often on supporting larger, export-oriented business. Governments should continue to work towards improving their *Doing Business* scores and rankings, but should do so with a careful eye to improving the business environment for ALL businesses, not just those measured by the World Bank. All Member States should take steps to ease the process for registration of sole-proprietorships, simple partnerships and basic limited liability entities as relevant to micro and small enterprises.

There are many sources of ideas for how to strengthen the business environment for MSMEs in ASEAN and beyond, beginning with the *Doing Business* international and sub-national reports, which address not only business registration, but other issues associated with formality, including licensing, taxation, and enforcing contracts. Thus, although the following list provides just a sampling of ideas, they are consistent with both demand in the region and success stories from all over the world:

- Expand the scope of business registration one-stop shops and extension providers to include services to informal participants. Without better access to at least some of the benefits of formalization and business-related information, the informal economy will continue to struggle. Though many of the ASEAN Member States do provide some services to the informal economy in despite a reluctance to formalize, a few governments go the extra distance and engage deeply with informal businesses, often with the pragmatic assumption that support will lead to growth and demand for formalization.
- Encourage the concept of customer service within government agencies. Efforts toward accountability should be extended to the posting of fees and processing timeframes — all as part of a broader push to improve how the government treats its customers. In addition, local authorities and central agencies can endeavor to make the spaces in which they operate customer-friendly: they should be clean, neat, and orderly, with queuing by customers enforced and clocks set at the proper time. Signs that tell customers where to go should be prominently posted.
- Offer tax and other fiscal incentives for formalization. The issue of taxation remains a major deterrent to business formalization. Although, in many Member States, improvements have been made to the tax environment, particularly for larger companies already engaged in international trade, the cumbersome nature of taxes remains a major disincentive to small enterprises that may be considering formalization. Countries should look seriously at the tax implications of formalization and establish reasonable rules that help incentivize formalization while engaging in dialogue with the private sector on the best ways to use tax revenues to boost conditions for doing

business. The tax issue includes the sometimes high regional stamp taxes required in order to issue new stock.

### ***Encourage women to formalize and grow their enterprises***

Although the exact numbers are not known, women-led businesses in ASEAN are found overwhelmingly in the informal sector. Being in the informal sector means that women are less likely to be reflected in statistics as entrepreneurs, to receive assistance from national, provincial, and local governments, or to use financial services. Women in the countries researched found that formalizing their businesses was a long and time-consuming process. Steps that can be taken to simplify the process for all enterprises should be taken, and then communicated to informal women entrepreneurs through organizations and locations where they are likely to convene, such as markets, community centers, and schools.

Business support services for women can provide female business owners counseling, teach them management skills, and help them establish contacts, compatriots, and new market opportunities. Support could consist of the following:

- Facilitated peer roundtable discussions for members to discuss business challenges and successes
- Educational programming on employment law, assembling an executive management team, export promotion, international markets, serving on boards and commissions, and accessing growth capital
- Fostering of mentor-protégé relationships, as both protégées of counterparts in other countries and as mentors in domestic mentoring programs
- International fact-finding and relationship-building trips for the leaders of women's business associations to discuss common interests with women's business association leaders in other countries.<sup>24</sup>

### ***Encourage a culture of contracts***

Until informal actors begin to understand doing business in a more formal way, they will not realize the benefits of doing so. Perhaps most important among "formal" behavior is the use of rational arm's length agreements in conducting business. All Member States have opportunities to engage in capacity building programming that introduces risk allocation, terms and conditions, the value of performance in long term contractual relationships, and dispute resolution to the informal economy. Methods for strengthening a culture of contracts can include the following:<sup>25</sup>

- Through a limited review of court data, improve understanding of the types of contracts used in agriculture-related transactions and the circumstances of enforcement. Develop data for when contracts are used, including rates of default, the conditions under which enforcement is sought, and other aspects of contracting. Such information would be useful for understanding how working with contracts can strengthen confidence in the law and promote enterprise growth.
- Produce and distribute a simple guide to contract law in the agriculture sector, including collection and enforcement. A guide to agricultural contracts should emphasize why contracts are important and explain the details of enforcement, particularly when collateral is involved. The guide should be accompanied by training for farmers association members through the

associations. It should anticipate restrictions on contracting that may be imposed by crop-specific laws and other legislation.

- Encourage law faculties to include contracts and other agricultural issues into their curricula. Law faculties can enhance the teaching of contracts by requiring students to practice drafting contracts and conducting mock hearings over breach of contract. A legal education should address the specific types of contract that may arise in the agriculture sector, including (1) the purchase of inputs, including seed, fertilizer, and farm chemicals by individual small farmers and/or their producer associations; (2) credit provided by input suppliers; (3) the prearranged sale of farm products; and (4) secured transactions involving moveable agricultural equipment. Bar associations can develop systems for form contracts and train lawyers in drawing up contracts on behalf of their clients.
- Develop and implement a commercial law training program for lawyers and judges in rural areas informed both by local issues and case-resolution statistics and by international best practices. In addition, lawyers, through their associations, should develop systems for using form contracts and drawing up contracts on behalf of their clients.

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<sup>1</sup> Diana Farrell, *The Hidden Dangers of the Informal Economy*, 3 McKinsey Quarterly 2004 [hereinafter McKinsey Quarterly, *Hidden Dangers*].

<sup>2</sup> Id. (“Pervasive informality also slows economic growth by substantially reducing the tax receipts of governments, which must therefore raise the tax rates imposed on formal businesses ... A vicious cycle may emerge: higher taxes prompt enterprises to operate informally, raising the tax burden on the remaining formal companies, which already pay more than 80 percent of the taxes in most developing nations.”)

<sup>3</sup> Id. at 31.

<sup>4</sup> Economic Research Institute for ASEAN and East Asia (ERIA), *Mid-Term Review of the Implementation of AEC Blueprint* (October 2012) (Executive Summary) at 33.

<sup>5</sup> Id.

<sup>6</sup> ERIA Press Release, “ERIA, ASEAN SMEWG and ASEAN Secretariat Hold a Joint Workshop on “Developing ASEAN SME Policy Index” in Jakarta, Indonesia” (January 24, 2012).

<sup>7</sup> For a full description of the methodology, see the RATE methodology document.

<sup>8</sup> UNSEEC, Meeting of the Committee on Poverty Reduction, Third session, “Poverty and the Informal Sector/Role of the Informal Sector in Poverty Reduction” (29 November-1 December 2006).

<sup>9</sup> ILO, *Informal Economy in Asia and the Pacific*, available at <http://www.ilo.org/asia/areas/informal-economy/lang-en/index.htm>.

<sup>10</sup> Sasiwimon Warunsiri, School of Economics, Research Institute for Policy Evaluation and Design, University of the Thai Chamber of Commerce, “The Role of Informal Economy in Thailand” (2011).

<sup>11</sup> McKinsey Quarterly, *Hidden Dangers*.

<sup>12</sup> ADB/BPS-Statistics Indonesia, “The Informal Sector and Informal Employment in Indonesia,” Foreword by Dr. Rusman Heriawan, Chief Statistician, BPS-Statistics Indonesia (2011).

<sup>13</sup> ILO Manila, “Informal Economy,” available at <http://www.ilo.org/manila/areasofwork/informal-economy/lang-en/index.htm>.

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- <sup>14</sup> USAID/Southeast Asia Commercial Legal and Institutional Reform-Trade (SEA-CLIR Trade), Indonesia (2007) at 9 (citations omitted).
- <sup>15</sup> ILO Hanoi, “Informal Economy,” available at <http://www.ilo.org/hanoi/Areasofwork/informal-economy/lang-en/index.htm>.
- <sup>16</sup> Dr. Matthias Meissner, Institute of Labour Science and Social Affairs (ILSSA), “Informal Sector and Informal Employment in Vietnam - A chance for Corporate Social Responsibility?” (2010).
- <sup>17</sup> See Nazaria Baharudin, et al., “Informal Employment in Informal Sector Enterprises in Malaysia” (2012); Razman Ridzuan & Salmiah Ponggot, Department of Statistics, Malaysia, “Informal Sector in Malaysia” (2009).
- <sup>18</sup> ADB/ BPS-Statistics Indonesia, *The Informal Sector and Informal Employment in Indonesia* (2011).
- <sup>19</sup> World Bank, *Doing Business in 2013* (2012), and accompanying literature at [www.DoingBusiness.org](http://www.DoingBusiness.org).
- <sup>20</sup> RATE Assessment notes from stakeholder roundtable, Medan, Indonesia, October 15, 2012.
- <sup>21</sup> Cling, Jean-Pierre et al., “The Informal Economy in Vietnam.” Report for the ILO (2010).
- <sup>22</sup> See [http://www.aseanfoundation.org/documents/brochure/Rev-Empower01092008\\_conv.pdf](http://www.aseanfoundation.org/documents/brochure/Rev-Empower01092008_conv.pdf).
- <sup>23</sup> This point is drawn from a recommendation found in the USAID/Agriculture Climate Legal and Institutional Reform (AgCLIR) diagnostic for Mozambique (2011).
- <sup>24</sup> This recommendation is drawn in substance from a recommendation found in the USAID/Agriculture Climate Legal and Institutional Reform (AgCLIR) diagnostic for Tanzania (2010).
- <sup>25</sup> These ideas are drawn from a recommendation found in the USAID/Agriculture Climate Legal and Institutional Reform (AgCLIR) diagnostic for Mozambique (2011).