



Annex 2: Individual Economy Reports

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AEPR 2025: Structural Reform and to Increase Participation in the Formal Economy

Individual Economy Report (IER) Questionnaire

The 2025 APEC Economic Policy Report (AEPR) aims to promote structural reforms to increase participation in the formal economy, focusing on the role of governments in promoting formal markets, in alignment with the implementation of the APEC Putrajaya Vision 2040.

Refer to the Terms of Reference, which sets out the scope and objectives of the AEPR.

This IER Questionnaire may cover the following issues:

- The root causes of business and labour in informal economy,
- What are the main reasons why informal economy rates are heterogeneous across APEC economies,
- What role does institutional quality play to shape the formal economy in APEC economies,
- How the productivity level and growth in APEC economies determine the size and dynamics of the formal economy,
- What reforms could APEC economies (including, EC-related interventions) implement to address root causes of informal economy, in the context of advancing the Roadmap to the formal economy,
- What impact do labor and social security regulation have on formal employment in APEC economies,
- How structural reforms to promote good governance can improve access and quality of public goods and services and can facilitate the transition to the formal economy, including government effectiveness to enhance human capital and infrastructure, rule of law, regulatory quality, competition, public safety and anti-corruption,
- How APEC economies are utilizing policies, practices, programs, strategies and regulations related to structural reforms to deliver good governance to leverage the transition to the formal economy,
- How the transition to the formal economy promotes resiliency and sustainable and inclusive economic growth for all, including MSMEs, Indigenous Peoples as appropriate and women,
- The benefits economies can expect by expanding the formal economy, including through creating an enabling environment for doing business with a focus on dynamic markets such as the services industry,
- What can APEC economies offer as learnings for others looking to undertake similar structural reforms,
- What policy measures could APEC economies apply to promote the transition to the formal economy of groups with untapped economic potential of the workforce,
- How can digital transformation and innovation in APEC economies impact the transition of the formal economy.

We encourage economies to include links to online material where referenced in their responses. Economies could consider consulting with representatives of groups with untapped economic potential to reflect firsthand experiences in the responses.

**Please limit responses to a maximum of four pages in total
Format is Times New Roman, size 11, single space**

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|----|---|
| 1. | Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors? |
| 2. | Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices? |
| 3. | Connecting with groups with untapped economic potential: Considering your economy's engagement of groups with untapped economic potential: <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process? |
| 4. | Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working? |
| 5. | Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans? |
| 6. | Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy? |

AUSTRALIA

1.	Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
	<p>In the Australian context, there are low/few barriers to establishing, and operating as, a 'formal' business – business registration is not always mandatory, when required it is reasonably easy and low cost, and self-employment is a legitimate part of the formal economy – which may differ from other APEC economies. In addition to a strong social safety net system reducing the need for informal sectors, Australia continues to encourage full compliance with all regulatory obligations (including tax, employment, social security etc) through continued investment in robust institutions.</p> <p>Small business</p> <p>Small businesses in Australia generally have high participation in the formal economy. As of 2022-23, they contribute almost AUD 590 billion to the economy annually, accounting for almost one-third of Australia's GDP. However, compliance burden is generally disproportionately higher for small businesses than their medium and large counterparts. With fewer resources and economies of scale, small business owners may be deterred from fully engaging or complying with their obligations due to associated increases in regulatory cost, complexity and burden.</p> <p>Women</p> <p>Women in Australia have lower workforce participation rates and work fewer hours than men. Women face barriers to working the hours and jobs they want. These include:</p> <ul style="list-style-type: none"> • unequal sharing of unpaid work and care in families • inaccessible and unaffordable childcare • unequal access to flexible work for both women and men • workplaces that are not inclusive and safe • gender norms surrounding what is viewed as women's and men's work. <p>- For example, data from the Australian Bureau of Statistics shows that for women aged 25-39 years, 'Caring for children' (50%) was the main reason for not wanting a job (in the September quarter 2024). For women aged 40-54 years, the main reason was 'Long-term health condition or disability' (27%) although in June 2024 the main reason was 'Caring for children'. (Barriers and Incentives to Labour Force Participation, Australia, September 2024 Australian Bureau of Statistics)</p>
2.	Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?
	<p>Small business</p> <p>The Australian Government's Business Registration Service (register.business.gov.au) is a single place where Australian businesses can apply for key business and tax registrations. This facilitates compliance with business</p>

	<p>registration obligations by reducing the time and complexity of registering a new business and applying for tax and other registrations. Businesses can also access free educational materials on the site, including a quiz to help them work out their business structure and what registrations they need.</p> <p>Women</p> <p>In Australia, a range of policies are in place to further break down barriers to participation and increase opportunities for women.</p> <ul style="list-style-type: none"> ○ Improving early childhood education affordability and accessibility ○ Expanding Government-funded Paid Parental Leave (PPL) ○ investing in skills development, ○ providing tax relief that supports participation and lowers barriers to work.
3.	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>Acknowledging Australian Government procurement is a major economic lever, Australia is helping small and medium businesses, including First Nations businesses, compete for and win more government contracts. The Buy Australian Plan aims to improve the way government contracts work and build domestic industry capability through the Government's purchasing power. The Government has also updated its procurement rules to increase the small and medium business procurement targets and improving its procurement platform to make it easier to identify small and medium businesses on government panels. In addition, the Government has made changes to its Indigenous Procurement Policy (IPP) to increase the ambition of the policy and ensure that the economic benefits of the IPP are genuinely flowing to First Nations Australians as intended. Both by strengthening IPP eligibility criteria, as well as increasing the Indigenous business procurement target to 3% starting from 1 July 2025, increasing to 4% by 2030.</p> <p>Women</p> <p>Australia's Office for Women has a formal mechanism in place to engage with civil society organisations and to deliver women's voices to government. The National Women's Alliances represent a broad, diverse cohort of women, including groups that are often marginalised and face significant barriers to their economic participation. The Office for Women funds the National Women's Alliances, which are organisations focussed on thematic or cohort based issues. The Alliances play a key role in ensuring women's voices are central in the policy development process by providing evidence based, intersectional gender equality advice and civil society expertise to government on areas of most impact and influence to <i>Working for Women: A Strategy for Gender Equality</i>. The five National Women's Alliances collaborate with the Office for Women and government to inform policy and decision making on the following priority areas:</p> <ul style="list-style-type: none"> ○ gender-based violence ○ women's economic equality and leadership ○ migrant and refugee and culturally and linguistically diverse women ○ First Nations women ○ women living in rural, regional and remote areas of Australia

	<ul style="list-style-type: none"> ○ women with disability. - The National Women's Alliances include: <ol style="list-style-type: none"> 1. Working with Women Alliance: The Working with Women Alliance connects the critical areas of addressing gender-based violence and the advancement of women's economic equality and leadership, connecting these important policy fields for greatest impact. 2. National Aboriginal and Torres Strait Islander Women's Alliance (NATSIWA): NATSIWA empowers Aboriginal and Torres Strait Islander women to have a stronger voice in the domestic and international policy advocacy process. In particular, NATSIWA promotes the views and voices of women from marginalised and disadvantaged groups that have, in the past, found it difficult to engage in advocacy and decision making. 3. National Rural Women's Coalition (NRWC): NRWC offer policy advice to government on matters relevant to the views and circumstances of rural, regional and remote women and girls in all their diversity. 4. Women With Disabilities Australia (WWDA): WWDA is a representative organisation run by and for women, girls and gender-diverse people with disabilities. WWDA works to promote and advance the human rights, safety and wellbeing of women, girls, and gender-diverse people with disabilities in all of their diversity. 5. Australian Multicultural Women's Alliance (AMWA): AMWA is a voice for migrant, refugee, and culturally and linguistically diverse (CALD) women. Led by the Federation of Ethnic Communities' Councils of Australia (FECCA), AMWA advocates for gender equality, representation, and inclusion to ensure multicultural women can fully participate in all aspects of Australian society. (Wording from <i>National Women's Alliances</i> PM&C)
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>Small business</p> <p>The Business Registration Service reduces time and knowledge barriers for small business owners looking to participate in the formal economy. Data sharing arrangements mean small business owners do not have to move between different government agency websites or complete multiple forms. It takes around 15 minutes to register a business through the service. Australia notes through this experience that policies to encourage formal participation should focus on making the process easier for small business owners rather than posing additional regulatory burden.</p> <p>Women</p> <p>The Australian Government is committed to advancing gender equality as a priority and making Australia one of the most gender equal societies in the world.</p>

	<p>Collecting data, and engaging with what the data tells us, is critical to making the invisible visible, measuring progress and holding ourselves accountable for achieving impact. Data also helps us to understand what life is like for women and girls in Australia and to talk about what we need to do to change the story.</p> <p>Every International Women's Day, Australia releases a 'Status of Women Report Card' to shine a light on where progress is slow and more effort is needed. The Status of Women Report card is an important tool to track and measure progress of Working for Women. Each year, the report card highlights key outcomes and indicators, identifying areas where more effort is needed to improve outcomes for women. It includes data and analysis on the social and economic equality issues facing women and girls in Australia.</p> <p>(Wording from: Status of Women Report Cards Working for Women)</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>Small business</p> <p>Despite high participation, a lack of time to build knowledge, and regulation costs are two main barriers for remaining small business owners who are hesitant to participate in the formal economy. Business.gov.au, the Government's primary assistance channel for the Australian business community, addresses this by streamlining access to services and resources, including access to expert operators who are experienced at running small businesses. Australia also recently released its first National Small Business Strategy, a principles-based document targeting more effective coordination and collaboration across all Australian jurisdictions on small business policy and supports, and ensuring compliance and administrative burdens are risk proportionate.</p> <p>Women</p> <ul style="list-style-type: none"> ○ Working for Women: A Strategy for Gender Equality outlines the Australian Government's vision for gender equality – an Australia where people are safe, treated with respect, have choices, and have access to resources and equal outcomes no matter their gender. <p>The Strategy sets out a path to make progress towards this vision over the next 10 years, with a focus on five priority areas. The Strategy was released on 7 March 2024.</p> <p>(Wording from: Working for Women Working for Women)</p>
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>Small business</p> <p>APEC can facilitate knowledge-sharing between economies. From a small business perspective, APEC's Small and Medium Enterprises Working Group (SMEWG) is a</p>

	useful forum to learn from the experiences of other economies in the region and share best practices, including through targeted workshops and projects.
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BRUNEI DARUSSALAM

<p>1. <u>Barriers and challenges:</u> Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?</p>	<p>There is a need to address the digital divide that MSMEs face in accessing and using digital tools that simplify processes, lower costs and create incentives for them to formalise. Simplifying business registration, record-keeping and taxation will make it easier for MSMEs to participate in the formal economy. It is also essential to raise public awareness and implement digital and financial literacy programmes to ensure that businesses and consumers understand how to safely and responsibly engage with digital technologies and increase the adoption of safe digital practices.</p> <p>Financial constraints are also a barrier for most businesses to formalise. Getting loans approved for new businesses. Businesses need start-up capital, which is not a service currently offered in Brunei Darussalam.</p>
<p>2. <u>Policies and initiatives:</u> Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?</p>	<p>Brunei Economic Development Board (BEDB) through Enterprise Development (DARe), runs a series of programmes and initiatives that serve to address MSMEs needs for growth. Several of DARe's initiatives that were specially designed to support entrepreneurs in their seed stages and encourage them to formalize are outlined below:</p> <p><u>Business Idea</u></p> <ul style="list-style-type: none"> • Micro Bootcamp is a 4-week business development programme targeted to train aspiring and existing entrepreneurs in business fundamentals. To date, DARe has run 27 cycles of Micro Bootcamp. • The Brunei Innovation Lab (BIL) is a local ecosystem facilitator established in 2022 that seeks to help drive innovation by supporting tech-based entrepreneurs across various sectors and offering them a springboard to launch and accelerate their businesses. Four strategic partners, namely BEDB through DARe, Brunei Shell Petroleum (BSP), Shell LiveWIRE Brunei and telecommunications provider, Datastream Digital (DST) are pooling technology and industry resources to provide entrepreneurs with advanced access to platforms to develop, test and bring to market their innovative new products, services or solutions. BIL serves as the innovation platform for a newly launched initiative called Startup673. • Startup673 aims to integrate existing initiatives from its four strategic partners into a streamlined and unified programme to accelerate the development of ground-breaking solutions that not only address industry challenges but also create viable business opportunities. Startup673 is advancing Brunei's entrepreneurial landscape through three core programmes:

1. **National Hackathon Series:** These events bring together diverse participants to tackle industry-specific challenges, fostering innovation and practical solutions.

2. **REACH Series:** Targeted at Institutes of Higher Learning (IHLs), this initiative cultivates entrepreneurial mindsets among students, equipping them with essential skills and knowledge and culminating in an inter-university Pitch Day competition.

3. **Inspiration Series:** Designed to ignite creativity and entrepreneurial spirit, these events provide platforms for idea exchange and networking among aspiring entrepreneurs.

To date, Startup673 continues to expand its reach and has successfully conducted three hackathons, three Inspiration events, and various REACH engagements with the Institute of Brunei Technical Education, Politeknik Brunei, Universiti Brunei Darussalam, and Universiti Teknologi Brunei. Collectively, these events have led to the development of 75 innovative prototypes and 7 seed funding winners. These initiatives have not only generated viable solutions but also strengthened the entrepreneurial ecosystem by fostering collaboration among participants, mentors, and industry experts.

Launchpad

- **Accelerate Bootcamp** is catered towards startups in the early stage and offers them a comprehensive suite of resources to propel their startup. DARE has now conducted 11 cycles of Accelerate Bootcamp for a total of 403 entrepreneurs.
- **Bruneian Made** is an initiative that showcases and promotes local products through various sale platforms, including major supermarkets, the Bruneian Made Hub located in a prominent commercial complex, and local and international expos.
- **Kontena Park** is a one-year incubation programme that aims to provide a platform for foodpreneurs to test and validate their products in a real market setting.
- **iCentre** is a startup incubation programme and co-working space for startups from any of DARE's programmes. Other than the physical space, startups have access to capacity-building, scaling and investment opportunities.
- The **Brunei MSME Festival** is an event that promotes and displays the growth and resilience of local MSMEs. The annual event organised by BEDB through DARE features business matching sessions, networking opportunities, conferences, forums and business sharing sessions. The festival regularly encourages businesses and consumers to adopt digital payment methods, which in turn help to further financial inclusion among consumers and expand the market reach of businesses.
- **BizBrunei** is an online platform that shares stories about local entrepreneurship and socialises business opportunities and latest in business news. The platform seeks to promote entrepreneurial culture and inspire resilient, future entrepreneurs by recognising excellence and success.

	<p><u>Support Services</u></p> <ul style="list-style-type: none"> BEDB offers comprehensive business support services through their Business Support Centre with helpdesks across three (3) strategic locations in Brunei. Through the helpdesk, entrepreneurs can seek advice and insights on business processes, learn how to apply for DARE's programmes and initiatives, and log and resolve business-related issues and other inquiries. <p>More information about the activities and initiatives run by DARE (BEDB) can be found in the last published Annual Report 2023/2024 or at https://www.bedb.gov.bn/</p>
3.	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? How do you assess their needs? Do you utilize any methodology in this process?
	<p>In building the capacity of businesses in Brunei Darussalam through education and training, DARE also regularly collaborates with relevant stakeholders including Institutes of Higher Learning (IHLs), Trade Associations (TAs), local banks, Community Development Department (Ministry of Culture, Youth and Sports), Village Consultative Council (Ministry of Home Affairs) and departments under the Ministry of Primary Resources and Tourism.</p> <ul style="list-style-type: none"> One of the cornerstones of DARE's commitment is the Academy for Women Entrepreneurs (AWE) program, conducted in collaboration with the United States Embassy in Brunei Darussalam. The program is tailored for women entrepreneurs in various industries, providing them with business-related learning capacity building modules over a period of six months to enhance their skills and foster entrepreneurial growth. The program has successfully been implemented for 4 cohorts of participants benefiting 83 women entrepreneurs. The Enhancing Digital Economy Participation for ASEAN Women MSMEs (IDEAS) project is an ASEAN-ROK Cooperation initiative launched in Brunei Darussalam in June 2024. Spearheaded by BEDB through DARE and implemented by the ASEAN Coordinating Committee on MSMEs (ACCMSME) in collaboration with the Asia Pacific Women's Information Network Centre (APWINC) of Sookmyung Women's University, Republic of Korea, IDEAS aims to empower and elevate women entrepreneurs by leveraging digital platforms and strategic partnerships. The programme aims to train 242 beneficiaries across all four districts between its launch to December 2025. The initiative engages 14 local trainers to deliver comprehensive modules covering business model generation, customer development, fundraising, e-commerce, digital marketing, content development, privacy, cybersecurity, and women's empowerment in the digital economy. <p>Private sector stakeholders such as Bank Islam Brunei Darussalam (BIBD) and Baiduri Bank also play an instrumental role in encouraging MSMEs to participate in the formal economy. These institutions are actively engaging their MSME clientele by incentivising their use of digital, financial products, services, facilities and resources which also serve as enablers to business formalisation.</p>

4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>General practice in the economy, in order to take part in Government tenders, only registered and compliant businesses are allowed.</p> <p>Alongside that, most registration and applications are done online (OneBiz), this allows businesses to save some cost and time spent to formalise their businesses.</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
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6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>SME development remains crucial and by nature cuts across multiple sectors of development. Support from and collaboration with relevant fora across the APEC platform should be strengthened through a more structured approach to ensure greater alignment and effectiveness.</p>

CANADA

1. **Barriers and challenges:** Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?

Housing affordability: Affordability pressures, especially in housing, can constrain access to formal employment and inter-regional mobility. Internal trade barriers and regulatory inconsistencies add costs and complexity for businesses, particularly those seeking to scale across provinces. These frictions disproportionately affect small firms and underserved groups, including youth, newcomers, and Indigenous communities. Addressing these barriers through structural reform remains key to broadening inclusive, formal economy participation.

Access to early learning and childcare and better working conditions for workers: Access to affordable early learning and childcare has been identified as a barrier for full economic prosperity and gender equality for women. Research shows that childcare availability and affordability strongly impact mothers' ability to enter or remain in the labour market or school, if they wish. Early learning and childcare workers are mostly women, with racialized and immigrant women filling the most difficult and lowest-paid jobs in this sector. Better working conditions and living wages are instrumental to improving the situations of women in this sector, improving retention, and ultimately improving services.

Discrimination: Discrimination is a significant barrier to participation in the formal economy for marginalized populations, such as Indigenous Peoples, Black and racialized workers, persons with disabilities, newcomers, and 2SLGBTQIA+. These systemic challenges were recognized in the December 2023 Employment Equity Act Review Task Force report to modernize and strengthen the *Employment Equity Act* citing that A specific focus on Black workers is necessary to address the unique history and persisting differential treatment and underrepresentation of Black communities in Canada, as well as on 2SLGBTQIA+ workers.

Access to loans: Access to capital is the greatest challenge facing Black entrepreneurs in Canada, with almost all of the Black entrepreneurs in the study stating that they had to finance their startups with personal savings or credit card debt. More than 80 percent of Black women entrepreneurs have used personal financing to fund their businesses. Systemic biases in lending and adjudication processes for loans still exist for Black entrepreneurs and that access to private investment is still relatively absent.

Foreign credential recognition and discrimination: First generation immigrants from Africa face higher unemployment rate than immigrants from Asia, Latin America, and Europe, whether they are landed immigrants or landed more than 10 years earlier in Canada. Lack of recognition of foreign credential is compounded by discrimination in the labour market, leading to under-employment or unemployment.

Systemic racism: Canada's multicultural society has faced significant challenges that have exacerbated systemic racism and economic inequalities, particularly among marginalized communities. Factors such as the COVID-19 pandemic, rising inflation, and the growth of extreme right-wing and white supremacist movements, along with increasing anti-immigration and refugee sentiments globally, have contributed to these issues. As a result, groups such as Indigenous Peoples, Black individuals,

	<p>racialized, religious minority communities, 2SLGBTQIA+, and persons with disabilities have experienced greater economic exploitation and unequal access to rights and opportunities, leading to lower levels of life satisfaction. Systemic racism, racial discrimination, xenophobia and gender inequality are major causes of inequality and social, economic and political exclusion, impeding efforts to build peaceful, just and prosperous societies. As a result, large wealth and social disparities remain, and some groups continue to disproportionately face poverty, particularly Indigenous Peoples, Black, racialized and religious minority communities.</p>
2.	<p><u>Policies and initiatives:</u> Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?</p>
	<p><u>Targeted income supports:</u> The government has taken steps to support formal labour force participation through targeted income supports and simplified delivery mechanisms. Automated eligibility for certain tax-based transfers has improved accessibility and reduced the burden on lower-income workers. These supports help bridge income gaps and incentivize continued attachment to the formal economy.</p> <p><u>Long-term investment incentives:</u> On the business side, long-term investment incentives encourage private capital formation in clean growth sectors, manufacturing, and technology. These tools provide policy certainty and are designed to foster job creation and economic resilience in the formal sector. Additional efforts to expand digital tax filing and improve Canada Revenue Agency (CRA) service delivery is reducing barriers for small businesses and individuals to comply with tax obligations and participate in the formal system.</p> <p><u>Federal Labour Program:</u> Over the past 10 years, Canada, through the Federal Labour Program, has implemented several modern labour standards that are aimed at supporting workers—particularly those from marginalized groups—and to encourage easier access and participation in formal employment. These modern labour standards have worked at improving access to leaves, breaks, rest and notice periods, which allows for greater flexibility while further supporting work-life balance. This is of particular importance to workers providing care for dependents, allowing those employees to seek out more formal employment options. The efforts of the Federal Labour Program have also worked at better protecting employees in non-standard employment ensuring they can access wages and benefits that are expected in the formal economy.</p> <p><u>Labour policy:</u> Labour policy, particularly through the development of comprehensive and effective legislation and regulatory frameworks, work to ensure that employers are providing employees with a minimum standard of wages and conditions. This framework then provides government with a way to punish bad actors for poor employment conditions, while ensuring that good employers are not unfairly penalized when providing liveable wages, and safe and secure working conditions. Strong labour policy creates a minimum floor for the conditions of formal employment, thus preventing a race to the bottom. Formal employment that provides good wages and stable jobs has an overall positive impact on the economy and as such, labour policy has the potential to support long term, stable economic growth.</p> <p><u>Early Learning and Child Care (ELCC) Plan:</u> As part of Budget 2021, the Government of Canada committed to building a Canada-wide ELCC system with provincial, territorial and Indigenous partners, with the goal of increasing access to affordable,</p>

	<p>inclusive and high-quality child care, across Canada. In 2021-2022, Canada-wide ELCC Agreements were signed with all provinces and territories to flow CAD 27.2 billion over five years in support of this commitment. In March 2025, the Government of Canada announced it reached agreement with 11 of 13 provinces and territories to extend current ELCC agreements until 31 March 2031, which will flow nearly CAD 37 billion over five years to those 11 provinces and territories, in alignment with federal commitments for long-term funding for ELCC under the <i>Canada Early Learning and Child Care Act</i>.</p>
<p>3.</p>	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p><u>Younger Canadians:</u> Recent investments have focused on improving education, skills training, and affordability for younger Canadians to support smoother entry into the formal labour market. Parallel efforts aim to improve the participation of Indigenous communities in economic development by improving access to capital and facilitating equity partnerships in resource projects. These approaches are supported by regular engagement with stakeholders and community organizations, as well as ongoing analysis of labour market data.</p> <p><u>Participation in international standards development:</u> To increase participation in the formal economy, Canada's domestic standards body, the Standards Council of Canada (SCC), plays a leading role in advancing inclusivity and equality in standards development. For example, SCC has spearheaded several initiatives, both domestically and internationally, towards ensuring that voluntary standards are gender-responsive so that gender differences are acknowledged and integrated during the development of standards. This ensures that standards are effective and safe for all users, regardless of gender, and may increase rates of participation in the development of standards. In addition, SCC actively promotes the participation of MSMEs in the development of international standards as a key strategy to integrate them into the formal economy. Recognizing that MSMEs play a vital role in economic growth and innovation, it is important to mitigate key challenges MSMEs face to their participation. To this end, Canada recently hosted an APEC SCSC policy dialogue to raise awareness of the importance of MSME participation in international standards development and to explore best practices to facilitate and support this participation. When MSMEs are able to leverage the benefits of international standards, they enhance their export potential and may access new markets.</p> <p><u>Infrastructure funding:</u> In addition, to address provincial and territorial concerns around infrastructure funding, in Budget 2022 the Government of Canada announced CAD 625 million over four years for an ELCC Infrastructure Fund to enable provinces and territories to make additional child care investments to support greater inclusion in the Canada-wide ELCC system. These investments could include support for communities in rural and remote regions, high cost/low-income urban neighbourhoods, and communities with barriers to access such as Black, racialized, Indigenous, official language minority communities, and children, parents, and employees with disabilities. The Fund can also be used to support physical infrastructure for ELCC operators providing care during non-standard hours. Bilateral funding agreements with provinces and territories include commitments to support a qualified early childhood educator workforce, such as the implementation of wage</p>

	<p>grids or frameworks for educators, and initiatives to increase the percentage of certified early childhood educators.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p><u>Automation of income support delivery:</u> One of the most effective practices has been the automation of income support delivery. By streamlining access to tax-based benefits, the government has improved benefit take-up and made it easier for individuals to maintain a connection to the formal economy. This has been especially impactful for low-wage workers, who may face barriers in navigating traditional application processes.</p> <p><u>Misclassification strategy:</u> A key initiative has been the promotion of a misclassification strategy to discourage employers from classifying employees as contractors incorrectly. This initiative has been effective in changing behaviors and has been well supported by most industry and employee groups collectively. The misclassification strategy uses many compliance tools to change behaviors and increase participation in the formal economy. These include information sharing with other departments of the federal government such as Canada Revenue Agency, education tools for both employees and employers, and partnering with other levels of government in compliance events.</p> <p><u>Disability Inclusion Action Plan (Action Plan):</u> The <u>Action Plan</u> was released on 7 October 2022, and is a blueprint for change to make Canada more inclusive for the 8 million Canadians that identify as having a disability. The Action Plan is organized under four, mutually reinforcing pillars of action that include supporting the immediate and long-term financial security of persons with disabilities, employment, creating accessible and inclusive communities, and adopting a modern approach to disability. The employment pillar of the Action Plan focuses on the employment of persons with disabilities by helping them find and keep good quality jobs; advance in their careers; make their workplaces more inclusive and accessible; and increase capacity to support disability inclusion and accessibility.</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p><u>New and innovative compliance tools:</u> Compliance and enforcement continue to be the biggest barrier to achieving the positive goals of any regulatory framework related to formal economy participation. Without strong compliance and enforcement efforts, it is unlikely that bad actors will abide by any regulatory framework put in place. For that reason, the Federal Labour Program will continue to use new and innovative compliance tools, focusing on new and emerging technology, as well as researching and implementing best practices from other jurisdictions to ensure that resources are used efficiently and effectively to achieve overall policy goals and encourage greater economic participation and positive economic growth. Between 2022 and 2024, the</p>

	<p><u>Action Plan</u> took the following actions to help address the policy gaps, barriers, and challenges to support the employment of persons with disabilities:</p> <ul style="list-style-type: none"> - Creation of an <u>Employment Strategy for Canadians with Disabilities</u>; - Creation of the <u>Disability Inclusion Business Council</u> to advise the Minister and act as champions for disability inclusion within the business community; - Investing more than CAD 270 million in new funding to assist persons with disabilities to prepare for, obtain and maintain employment; - Launching the <u>National Veterans Employment Strategy</u> to ensure that all Veterans, including those with disabilities, find meaningful work on release from the Canadian Armed Forces; - Modernizing the <u>Employment Equity Act</u> by reducing inequalities and barriers to employment in federal workplaces; - Creation of a pilot project under the Canada Pension Plan – Disability component to help beneficiaries test their ability to go back to work while still receiving benefits; - Embed disability inclusion within the government’s existing labour market programs; <p>Move forward with the Implementation of the Accessibility Strategy for the Public Service of Canada, including hiring 5,000 employees with disabilities in the public service.</p>
6.	<p><u>Regional cooperation:</u> How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies’ experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p><u>Competition:</u> There is a growing trend where competition agencies are asked to examine whether competition policy should play a role in promoting broader policy objectives and reducing inequalities in society. The CPLG could lead on initiatives that explore how competition agencies can enhance both efficiency and the economic inclusion of underrepresented groups, aligning with APEC priorities. For example, the 2024 CPLG Plenary Meeting Policy Dialogue – Exploring the Link between Competition and Gender, led by Canada, could pave the way for similar initiatives focusing on the informal economy and competition. The CPLG could also develop practical tools for competition policymakers and enforcers to build their capacity to use disaggregated data to understand how markets function and how their interventions can achieve a “double dividend” of promoting fair and efficient markets and equality.</p>

CHILE

1.	<u>Barriers and challenges:</u> Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
	<p>In Chile, several key barriers hinder participation in the formal economy, particularly among vulnerable groups and certain sectors. One major obstacle is the high prevalence of informal employment in areas such as agriculture, construction, domestic work, and microenterprises. These sectors are characterized by seasonal labor, a lack of formal contracts, and informal business practices, which make formalization more difficult.</p> <p>Another significant challenge is the complexity and fragmentation of regulatory procedures related to business registration and taxation. These bureaucratic hurdles disproportionately affect micro and small enterprises, discouraging them from entering the formal economy.</p> <p>Limited access to financial services and low levels of digital literacy further contribute to exclusion from formal economic networks. Many individuals, especially in rural areas, struggle to open bank accounts, access credit, or use digital tools essential for formal economic participation.</p> <p>Social protection gaps also play a role, particularly for self-employed workers who often lack access to unemployment insurance, paid leave, and other benefits. This absence of safety nets reduces the incentives for formal registration.</p> <p>Moreover, gender and geographic disparities exacerbate these issues. Women, youth, older adults, migrants, and rural residents face unique barriers, including care responsibilities, discrimination, and limited availability of services in their communities. These barriers are not uniform across sectors. In agriculture, informality stems mainly from the seasonal nature of work and geographic dispersion. In commerce and services, the relatively low cost and ease of operating informally contribute to high levels of informality. In contrast, sectors like technology and manufacturing tend to exhibit higher levels of formality due to more stringent regulations and integration into formal supply chains.</p>
2.	<u>Policies and initiatives:</u> Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?
	<p>Chile is advancing a comprehensive strategy to foster participation in the formal economy through major reforms in taxation, social protection, and targeted support for micro, small and medium-sized enterprises (MSMEs). This strategy is anchored in two transformative legislative initiatives: the 2025 Pension Reform and the recently approved Tax Compliance Law, both part of the broader Pact for Economic Growth, Social Progress, and Fiscal Responsibility.</p>

	<p>The 2025 Pension Reform represents a structural overhaul of the pension system, introducing a mixed model that enhances both individual savings and social insurance. A new 7% employer contribution is introduced, with 2.5% allocated to a redistributive social insurance pillar and 4.5% to individual accounts. The reform also introduces gender-sensitive benefits and rewards for contributed years to incentivize formal employment over time.</p> <p>To support sustainability and equity, the reform creates the Autonomous Pension Protection Fund (FAPP) and extends coverage to informal and previously excluded workers, projecting over 435,000 new PGU beneficiaries in 2025. The reform is rolled out over nine years, easing the burden on SMEs, and includes governance improvements to promote competition and lower administrative costs.</p> <p>The Tax Compliance Law is very important to Chile's formalization agenda and is built around three pillars (combatting evasion, informality, and avoidance; modernizing tax administration; strengthening taxpayer rights through the Taxpayer Defense Office). It aims to increase fiscal revenues to fund major reforms (such as pensions and public safety) and to integrate informal actors into the tax system. Key measures include (oversight of the digital economy, requiring foreign platforms to pay VAT and report operations; mandatory reporting by banks to Chile's revenues agency when a person receives 50+ transfers from distinct accounts monthly or 100+ in a semester; business registration requirements for users of digital platforms, among others.</p> <p>Also, Chile is using a multi-pronged strategy that combines incentives, administrative modernization, and new legal frameworks to lower informality while expanding access to social protection and public services. By aligning tax compliance with inclusive growth policies (especially for SMEs and women), Chile aims to build a more transparent, equitable, and formal economy that supports long-term development and fiscal resilience.</p>
<p>3.</p>	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>Chile employs a multi-layered and inclusive approach to integrate groups with untapped economic potential into the formal economy, particularly women, micro and small enterprises (MSEs), informal workers, and traditional vendors. This strategy combines fiscal incentives, regulatory simplification, gender-responsive legislation, and active stakeholder engagement.</p> <p>Engagement with Informal Workers, Small Entrepreneurs and Traditional Vendors Chile has introduced specific fiscal and legal instruments to facilitate the transition of informal workers and microentrepreneurs into the formal economy:</p> <ul style="list-style-type: none"> • A new special tax regime is currently under legislative review to support over 100,000 traditional market vendors, offering a 1.5% substitute VAT on electronic payments as a simplified and accessible entry point into formal taxation. • The Tax Compliance Law enhances the incentives for formality among vulnerable populations by maintaining eligibility for social benefits such as the Single Family Subsidy even after entering formal employment, particularly benefiting low-income women.

	<p>Gender-Responsive Measures to Promote Formal Female Employment</p> <p>Recognizing that the formal inclusion of women not only promotes gender equity but also boosts macroeconomic outcomes, Chile has launched a comprehensive set of gender-sensitive policies:</p> <ul style="list-style-type: none"> • The Law on Work-Life Balance and 40-Hour Workweek Law provide flexible work arrangements, adaptable schedules for caregivers, and transitional adjustments during school holidays (critical to encouraging formal labor participation among mothers and caregivers). • The creation of a National Care System aims to relieve unpaid care burdens, a primary barrier to women's formal employment, by expanding services and recognizing caregivers in public policies. • Increased public investment in care programs (25% budget rise in 2024) ensures greater availability of quality, affordable childcare, as a key enabler of female labor force participation. • The Minimum Wage Law, raising the floor to USD 536 monthly by 2025, which benefits women concentrated in low-wage sectors.
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>Chile has recently advanced a comprehensive agenda of legislative and policy reforms to promote participation in the formal economy, particularly targeting gender inclusion, simplification of tax regimes, and workplace flexibility. Among the most effective measures are those introduced by the Work-Life Balance Law and the 40-Hour Workweek Law, which help reduce structural barriers for women and caregivers. These include preferential vacation allocation for workers with dependents, flexible schedules during school breaks, and a phased reduction in working hours. On the tax front, a simplified VAT regime (1.5%) for traditional market vendors which is a tool to facilitate the transition into formality for over 100,000 small-scale entrepreneurs.</p> <p>One of the most important lessons is the value of co-designing public policy with the populations it seeks to serve. The collaborative development of the simplified VAT regime for street vendors demonstrates how engagement with informal sector representatives can lead to more tailored and effective instruments. However, challenges remain. A persistent obstacle is the misalignment between labor and social protection systems: in some cases, informal workers risk losing benefits when formalizing their status. Chile continues to work on policy integration to address these disincentives. Additionally, reforms that encourage labor force participation, especially by women, must be accompanied by adequate public investment in care infrastructure. Without affordable and accessible childcare and eldercare services, legal progress may not translate into increased formal employment.</p> <p>Chile measures the success of these reforms using various indicators: labor force participation disaggregated by gender; informality rates across income quintiles and occupations; and employment quality metrics such as wage gaps and job stability. In the short term, the economy expects higher uptake of flexible work arrangements and greater visibility and protection for informal workers transitioning to formality. Medium-term goals include a measurable reduction in gender gaps in formal employment and</p>

	<p>improved productivity and worker retention. In the long term, these reforms are expected to contribute to higher potential GDP and enhanced fiscal sustainability, as emphasized by the 2023 Committee of Experts on Fiscal Space and Trend Growth.</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>Chile faces persistent structural barriers to expanding formal economic participation, particularly among small entrepreneurs, women with caregiving responsibilities, and individuals disincentivized by social protection programs. Complex tax and regulatory frameworks also discourage formalization for low-income workers and microenterprises.</p> <p>To address these gaps, Chile is advancing a series of short- and medium-term initiatives. In the short term (2024–2025), the government is processing a simplified tax regime for traditional vendors—co-designed with grassroots organizations—that proposes a 1.5% substitute VAT to lower entry costs to formality. The implementation of the Work-Life Balance Law and the phased reduction of the statutory workweek to 40 hours includes targeted measures to support caregivers and promote telework. Additionally, a 25% increase in care-related public spending in 2024 is being rolled out alongside the revised Universal Childcare Bill and the National Care System, which aim to reduce the burden of unpaid care that limits women’s labor force participation.</p> <p>In the medium term (2025–2028), the government plans to introduce a <i>monotributo</i>—a simplified tax and social security contribution mechanism—currently under legislative discussion, to facilitate formalization for self-employed workers. The reduction of the workweek to 40 hours will continue, while gender-sensitive frameworks such as the Comprehensive Law Against Violence Towards Women will help foster safer, more inclusive workplaces. Efforts will also focus on mainstreaming social inclusion and gender equity across budgeting and policy design, in line with OECD guidance.</p> <p>These reforms are supported by targeted budget allocations, the use of administrative data to identify vulnerable populations and monitor progress, and multi-stakeholder dialogue platforms involving informal worker organizations, women’s groups, and business associations. Technical input from expert bodies, such as the Committee on Potential Growth and Fiscal Space, informs the macroeconomic evaluation of labor participation policies.</p>
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies’ experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>One of the most effective ways to advance participation in the formal economy is through the exchange of experiences and best practices among economies. Initiatives like the APEC <i>Economic Policy Report</i> are particularly valuable, as they help identify</p>

which policies have worked, which have faced challenges, and how those lessons can be adapted to different contexts. Regional cooperation plays a key role by facilitating this mutual learning and providing a platform for technical dialogue between authorities, which is especially useful for economies like Chile.

In this regard, APEC economies could explore the creation of a regular forum focused specifically on tackling informality, a widespread issue that affects critical areas such as pensions, social security, and job quality. From our perspective, the group that requires the most regional effort and cooperation to enter the formal economy are low-income women, who face structural barriers related to both employment and caregiving responsibilities. Addressing these challenges calls for integrated, cross-sectoral policy approaches.

HONG KONG, CHINA

1.	Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
	<p>Hong Kong, China (HKC) has a free labour market with minimal restrictions. Article 33 of the Basic Law, our mini constitution, clearly sets out that “<i>Hong Kong residents shall have freedom of choice of occupation</i>”. The choice between participating in the formal and informal economy is often driven by personal preferences and circumstances, encompassing factors such as lifestyle priorities, career aspirations and desire/need for flexible work arrangements. According to the results of a survey published by the Census and Statistics Department (C&SD) of the HKC Government in 2021, it was estimated that 93% of employees in the non-government sector were employed under a “continuous contract” (employees employed by the same employer for four weeks or more and having worked for 18 hours or more per week). The survey further revealed that only 5% of employees in their main employment worked fewer than 18 hours per week. Notably, 65% of this group indicated that they would not take up jobs requiring 18 or more hours of work per week even if such positions were offered. This was echoed by the results of a subsequent survey conducted by C&SD in December 2023 to March 2024 on the characteristics and working conditions of digital platform workers, which showed that the primary reasons for taking up platform work were its high flexibility and low entry barriers.</p> <p>HKC is also widely recognised as the world's freest economy and is committed to maintaining a business-friendly environment where entrepreneurs face minimal barriers in starting and doing businesses. Small and medium enterprises (SMEs), which form the backbone of HKC's economy, account for over 98% of enterprises and employ around 43% of the private sector workforce. HKC's system as characterised by low tax rates, free trade policies and efficient government administration, is conducive entrepreneurs' seeking to establish and expand their ventures in the economy. However, in the past few years, due to the COVID-19 pandemic, weakened consumption and uncertainties of the outlook of the global economy, among others, the liquidity issue has posed a challenge to entrepreneurs planning to start their businesses or SMEs planning to expand their businesses.</p>
2.	Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?
	<p>Some examples of policies, programmes or regulations of HKC to promote participation in the formal economy include:</p> <p><u>Strengthening support and protection for employees</u></p> <p>The HKC government's continued efforts in strengthening support and protection for employees, as well as provision of incentives to employers and employees and employment services, are conducive to enhancing the labour force participation rate and encouraging more individuals to join the formal labour market.</p> <p>The Employment Ordinance (Chapter 57 of the Laws of HKC) (EO) governs employment conditions and provides a host of statutory benefits for employees,</p>

including paid statutory holidays, paid annual leave, sickness allowance, statutory maternity leave, statutory paternity leave, and other entitlements for those who meet the “continuous contract” requirement. To make it easier for employees to qualify for these rights and benefits, the HKC government is amending the “continuous contract” requirement under EO by relaxing the threshold from working 18 hours in a week for four consecutive weeks (i.e. 72 hours in total) to an aggregate of 68 hours in four weeks.

In cases where an employer ceases his/her business and defaults on severance payment, the affected employees may apply to the Protection of Wages on Insolvency Fund (PWIF) for ex-gratia payment. To enhance the protection for these employees, the HKC government has with effect from 21 March 2025 raised the maximum amount of ex gratia payment on severance payment under PWIF from HKD 100,000 plus 50% of any excess entitlement to HKD 200,000 plus 50% of any excess entitlement.

The HKC government will, with effect from 1 May 2025, abolish the arrangement of allowing employers to offset employees’ severance payment and long service payment with the accrued benefits of their mandatory contributions under the Mandatory Provident Fund (MPF) system. This will strengthen retirement protection for employees as it will allow more savings to remain in their MPF accounts.

To support job seekers with employment needs, the Labour Department (LD) of the HKC government provides free and diverse employment services and implements various targeted employment programmes. These programmes provide incentives for employers to hire individuals with special employment needs. Further details are outlined in our response to Question 3 below.

Furthermore, LD encourages employers to adopt good human resource management practices, including family-friendly employment measures, flexible working arrangements, special leave to accommodate employees’ family needs, etc. These measures enable employees to better balance their work and family responsibilities, fostering a supportive work environment and potentially encouraging greater participation in the formal labour market.

Digitalisation of government services to facilitate business operations

Digital transformation of government services is instrumental to promoting participation in the formal economy, as it enhances accessibility, efficiency and facilitates compliance, thereby fostering a transparent and supportive business environment. The HKC government has been striving to drive the digitalisation of government services. Since mid-2024, all licences and government services involving application and approval (about 1,480 items in total) and forms (over 3,800) have been digitalised, i.e. enabling submission of application, payment and collection of documents by electronic means, with exceptions due to law or international practice. Digitalised licences/services include those conducive to businesses’ participation in the formal economy such as the Certificate of Incorporation for registration of a new company in HKC and the Business Registration Certificate. Besides, all government payment items (over 600 items) have been fully provided with electronic payment option since Q3 2024.

To reduce the compliance costs and administrative burdens of businesses operating in the formal economy, the HKC government has been continuously driving government departments to make good use of technology and streamline processes to improve efficiency, transparency, and business-friendliness of licensing regimes

	<p>through the “Be the Smart Regulator” programme. In the past three years, government departments developed a total of 300 business facilitation measures under the programme.</p> <p>To promote digital economy development and accelerate digital transformation of the HKC government and enterprises, HKC is developing the Digital Corporate Identity (CorpID) Platform, scheduled for launch by end-2026. The CorpID Platform will enable corporate identity authentication and verification of digital signature of enterprises in HKC when using e-government services or conducting online business transactions, thus obviating the complicated manual procedures.</p> <p>The Companies Registry launched the e-Services Portal in December 2023. The e-Services Portal is a single integrated online platform that provides convenient, 24/7 access to electronic services, including company registration, document submission and company search, which enhanced user experience and efficiency, thereby facilitating and enhancing participation in the formal economy.</p> <p>The Hong Kong Monetary Authority has been working closely with the banking industry on various measures in facilitating bank account opening in HKC. This includes the introduction of Simple Bank Account services to enhance access to banking services by SMEs and start-ups.</p>
<p>3.</p>	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy’s engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>Examples of practices that help HKC’s engagement of groups with untapped economic potential are as follows:</p> <p><u>Labour support measures</u></p> <p>The platform economy is evolving rapidly worldwide, introducing diverse and complex modes of work that differ from traditional employment relationships. Recognising these shifts, the HKC government attaches importance to protecting the rights and benefits of platform workers. To this end, it conducts surveys and engages with major delivery platform companies and labour organisations to better understand the working conditions of local platform workers for contemplating measures to enhance their protection.</p> <p>Besides, LD offers a comprehensive range of free employment services to support job seekers in finding suitable jobs. In addition to providing labour market information to all job seekers, LD also implements various employment programmes targeting different segments of the population. These include the Employment Programme for the Elderly and Middle-aged, the Pilot Re-employment Allowance Scheme (REA Scheme), the Youth Employment and Training Programme, the Work Orientation and Placement Scheme and the Racial Diversity Employment Programme. Together, these services and programmes aim to encourage and assist groups such as the elderly, middle-aged, youth, ethnic minorities and persons with disabilities to join the labour market.</p>

Notably, the three-year REA Scheme, launched in July 2024, offers a maximum re-employment allowance of HKD 20,000 to eligible participants who work for 12 consecutive months. This initiative encourages individuals aged 40 or above, particularly homemakers and retirees, to join or re-join the labour market. The Scheme has been very well received, with over 38,000 participants and over 16,000 successful placements recorded as at March 2025.

Furthermore, the Racial Diversity Employment Programme provides one-stop employment services to ethnic minorities through a case management approach delivered by commissioned non-governmental organisations.

LD continuously reviews its employment services to keep pace with changes in the labour market. Through these ongoing efforts, the HKC government encourages and facilitates greater participation in the formal labour market, including individuals with untapped economic potential.

Public sector employment

As the largest employer in HKC, the HKC government is committed to promoting equal access to job opportunities in the public service for talents of various backgrounds. For example, to provide equal employment opportunities for non-ethnic Chinese (NEC), race is not a relevant consideration during the recruitment process, and the HKC government assesses all job applicants on their ability, performance, character, etc. in order to select the most suitable and most meritorious applicants for appointment.

The HKC government also values youth training and development. A dedicated internship programme for NEC students has been launched since 2019 with a view to enhancing their competitiveness for employment. Apart from involving administrative support in the day-to-day operation of government agencies and implementation of projects, some of the placements may also specifically relate to the provision of public services to NEC communities in HKC so that the interns can give play to their strengths in the knowledge of NEC languages and cultures.

An education system with diversity, quality and equality

The HKC government provides 12 years of free primary and secondary education for all eligible children, irrespective of race or place of birth. The school places allocation system is fair and transparent, enabling all eligible children to have equal opportunities for admission to public sector schools. In addition to Chinese and English, some students learn other languages in schools. There are also private schools which offer non-local curricula at the primary and secondary levels, including those of Australia; Canada; France; Germany; Japan; Korea; Singapore; the UK and the US, etc., providing parents with a variety of choices.

As for pre-primary education, the HKC government provides eligible local non-profit-making kindergartens with subsidies through the Kindergarten Education Scheme, aiming to provide students from three to six years old with good quality and highly affordable kindergarten education, and enhance the accessibility of students to different modes of kindergarten education that suit their needs. Kindergartens are reminded through various channels that they must ensure all children enjoy equal opportunities for kindergarten admission.

The HKC government is committed to encouraging and supporting the integration of non-Chinese speaking (NCS) students into the community and facilitating their early

	<p>adaptation to the local education system through mastery of the Chinese language. Since 2014, the Education Bureau (EDB) has been providing NCS students from pre-primary to secondary levels with all-encompassing learning support through diverse strategies, vastly benefitting schools, teachers, NCS students and their parents. These efforts include provision of additional funding to schools, a framework for learning Chinese as a second language, major curriculum-related learning and teaching resources as well as teacher training and professional support, thereby strengthening the support for NCS students to learn Chinese and the creation of an inclusive learning environment. It is notable that the performance of NCS students in the public examination for university entrance aligns closely with territory-wide performance, reflecting the success of HKC's education system in providing not only equality, but also diversity and quality that enables both NCS and Chinese-speaking students to thrive on a level-playing field.</p> <p><u>Enhancing women's participation</u></p> <p>The HKC government attaches great importance to women's development. To promote women's workplace development, the HKC government will launch the "She Inspires" Mentorship Programme (the Programme). Under the Programme, local female university students who aspire to pursue a career in professional or business sectors will be matched with women leader mentors, and will be provided with relevant training and activities to nurture the next generation of women leaders.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>The HKC government has implemented various policies to encourage participation in the formal economy:</p> <p><u>Labour policies</u></p> <p>The HKC government has been regularly reviewing and refining its labour policies to suitably strengthen the protection of employees' rights and benefits. In turn, these efforts contribute to an increase in the labour force participation rate and encourage more individuals to engage in the formal labour market. Details of some recent and ongoing initiatives are provided in our response to Questions 2 and 3.</p> <p>In addition, LD undertakes a wide range of promotional and publicity activities to raise the awareness among employees and employers about their rights and obligations under labour laws. These efforts include organising seminars and workshops on key labour legislation, such as EO and the Employees' Compensation Ordinance (Chapter 282 of the Laws of HKC). Through these initiatives, LD ensures that both employers and employees are well informed of their legal rights and responsibilities, thereby fostering a culture of compliance and harmonious employment relationships while strengthening the protection for workers. These efforts may encourage greater participation in the formal labour market.</p> <p><u>Support for parents of NCS students</u></p>

Diversified parent education programmes, including Community Activities cum Thematic Sharing and NCS Parent Ambassador Scheme, are designed to meet the needs of the parents of NCS students. The feedback from participants joining the NCS parent education programmes were collected via questionnaires and on-site observation showed that the programmes could meet the policy objectives. Feedback from participants indicated they had gained a better understanding on how to support their children's learning and encourage their children to master Chinese language, and acquired a more comprehensive understanding of the multiple pathways available to their children through participating in the programmes. Besides, EDB launched the "Parent Education Resource Booklet for Parents of Non-Chinese Speaking Students" (the Resource Booklet) in November 2024. The Resource Booklet, which is available in 10 different language versions, has been disseminated through various platforms to help parents of NCS students support their children's learning and whole-person development.

SMEs support measures

The HKC government has been providing multi-pronged assistance to SMEs in developing more diversified markets and enhancing their competitiveness. Among others, the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) provides funding support for non-listed HKC enterprises to develop business in 40 economies with which HKC has signed free trade agreements and/or investment promotion and protection agreements. Meanwhile, the SME Export Marketing Fund provides funding support for SMEs to participate in export promotion activities. To facilitate SMEs to make the best use of the HKC government's support measures, the "SME ReachOut", a dedicated information and advisory service for SMEs, is established to provide SMEs with information on such measures, helping SMEs identify suitable government funding schemes and answer questions relating to applications through one-on-one consultations, promotion activities, visits to chambers of commerce and virtual platforms such as online social media.

In view of the prosperous development of global e-commerce, the HKC government launched a series of measures to encourage enterprises to grasp the enormous opportunities brought about by cross-border e-commerce, including the launch of "E-commerce Easy" under the BUD Fund to provide funding support for enterprises to implement e-commerce projects, as well as organising the Hong Kong Shopping Festival to help HKC's enterprises conduct promotion on the Mainland's e-commerce platforms. In addition, the 2025-26 Budget announced the implementation of the "E-Commerce Express", which will offer a series of thematic training seminars and research sharing sessions to cover practical topics including legal compliance, operational strategies, etc., with a view to providing more comprehensive support for SMEs interested in tapping into the e-commerce market.

The HKC government's support measures are well received by SMEs, as shown in the high rate of utilisation of such support measures and the positive feedback from SMEs. The HKC government keeps on reviewing and enhancing the support measures having regard to the market and economic situations.

Since the year of assessment 2018/19, the two-tiered profits tax rates regime has been implemented. The profits tax rate for the first HKD 2 million of assessable profits of corporations is lowered to 8.25% while assessable profits above that amount continue to be subject to the tax rate of 16.5%. For unincorporated businesses, the two-tiered profits tax rates are correspondingly set at 7.5% and 15%. The lowered tax rate provides further relief to SMEs.

Streamlining public services for business facilitation

To keep pace with the new international standards and the development in international tax administration, the Inland Revenue Department (IRD) has been actively promoting tax digitalisation. Following the introduction of a new mode of e-filing for profits tax returns in April 2023, the IRD launched the enhanced versions of e-filing services in April 2024 to further facilitate businesses to e-file profits tax returns together with supporting documents in specified formats through eTAX.

HKC has launched the one-stop company and business registration service. Any person who submits an incorporation form of a local company or an application form for registration of a non-HKC company at the Companies Registry will be deemed to have made a business registration application at the same time. Under the one-stop service, companies will only be required to lodge one single application for both company and business registration.

HKC has implemented the “Unique Business Identifier” (UBI) for companies and entities under the administration of the Registrar of Companies. Implementation of UBI enables government departments and businesses to distinctly identify legal entities in various transactions and regulatory interactions, and reduces possible errors caused by the use of different identifiers in identifying the same entity and in turn, helps communication and exchange of data across government departments and businesses.

Digital transformation

To enable smooth integration of business operations and activities into mainstream HKC economy, HKC has been promoting the opening up and sharing of data, and implemented a dedicated webpage in the GovHK portal for business and trade (<https://www.gov.hk/en/business/>), serving as a comprehensive one-stop platform to facilitate business participants to access and utilise related digital government services.

To expedite the digital transformation of SMEs, HKC allocated HKD 500 million to Cyberport (HKC’s digital technology flagship) in 2023 to launch the Digital Transformation Support Pilot Programme, offering one-to-one matching subsidies to SMEs (up to a subsidy of HKD 50,000) in the food and beverage and retail sectors to adopt ready-to-use digital solutions such as digital payment systems and shopfront sales, online promotion, and customer management systems. To benefit more enterprises, the scope of the Programme was expanded in December 2024 to cover tourism and personal services sectors.

5. Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?

To assist SMEs in addressing the liquidity challenge, the HKC government launched the SME Financing Guarantee Scheme (SFGS) in 2012 to help SMEs obtain commercial loans, and has kept on introducing enhancement measures having regard to the economic situation of HKC and the needs of SMEs, including extending the application period of the SFGS, increasing the maximum loan amount, extending the maximum guarantee period, increasing the total government loan guarantee commitment, etc.

	<p>As at end February 2025, a total of more than HKD 290 billion of loan has been approved under the SFGS, benefitting over 65 000 enterprises and 810,000 employees. In November 2024, the HKC Government launched a new round of principal moratorium to allow borrowing enterprises to choose to repay only the interest and delay their repayment of the principal part of the loan, thereby giving them more room to adjust their cash flow.</p> <p>As detailed in Questions 2, 3 and 4, the HKC government has been implementing various strategies to promote participation in the formal labour market. Looking ahead, the HKC government remains dedicated to further advancing these initiatives while continuing to uphold and strengthen employees' rights and benefits, aligning with HKC's socio-economic development goals and balancing the interests of both employees and employers. The HKC government will also drive digital transformation of licensing and government services to facilitate business on a continuous basis.</p>
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>APEC plays a pivotal role in advancing participation in the formal economy through promoting structural reform, capacity building and experience sharing. The work of the APEC Economic Committee (EC), in particular, provides a solid foundation on which member economies can exchange knowledge, information and insights in relation to formalisation. Taking the APEC Collaborative Framework for Online Dispute Resolution (ODR) of Cross-Border Business-to-Business Disputes as an example, policy dialogues and capacity-building activities have been held under the EC regularly to promote the wider adoption of ODR by MSMEs in the Asia-Pacific region. By enhancing access to quick and affordable dispute settlement, the ODR initiative can provide greater incentives and confidence for MSMEs to participate in the formal and global economies. Going forward, it is essential for APEC to expand the ODR initiative by encouraging more member economies to join the APEC Collaborative Framework for ODR and raising the awareness of the private sector about the benefits of ODR.</p> <p>Meanwhile, the perspectives of the private sector, particularly the APEC Business Advisory Council (ABAC), have been equally valuable. As an example, ABAC, under the leadership of ABAC HKC, put forward a recommendation to Leaders in 2024 to adopt policies to remove key barriers to wider MSMEs' participation in digital trade finance platforms in view of the great potential of end-to-end digitalisation of trade financing in enabling MSMEs to gain access to capital and benefit from global trade. As a vocal voice in supporting the APEC process, ABAC can exercise its influence to communicate the benefits of APEC formalisation initiatives more widely and advocate for reforms in both public and private sectors that facilitate MSMEs to formalise and globalise.</p>

INDONESIA

1.	Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
	<p>Around 58% of Indonesia's workforce operates within the informal sector, comprising small businesses and self-employment and characterized by a lack of formal contracts, job security and access to social benefits. This condition limits access to formal financial services, social protection and government support programs (ASEAN, 2024).</p> <p>Some challenges that hinder Micro and Small Medium Enterprise (MSME) in Indonesia to participate in the formal economy:</p> <ol style="list-style-type: none"> a. Limited Access to Credit <ul style="list-style-type: none"> • The successful program of Micro Finance Program (the Kredit Usaha Rakyat/KUR) covers around 20% of MSMEs. However, there are around 30 million micro-enterprises are yet to have access to finance. • Many potentials small businesses are lack one or more of bank assessments (5Cs: <i>capital, collateral, capacity, character, conditions</i>). This exclusion limits the ability to secure loans and other financial services necessary for SMSEs to formalize and to grow. b. Infrastructure and Literacy Gaps <ul style="list-style-type: none"> • Limited Financial Literacy hampers the ability to navigate financial systems and awareness of the benefits of business formalization. • MSMEs in rural areas also struggle with digital transformation, due to insufficient infrastructure and digital literacy. • Java Island receives 60% of KUR loans due inadequate infrastructure, compared to other islands in Indonesia. c. Burdensome Business Registration <ul style="list-style-type: none"> • The process to apply for tax IDs and permit may feel rather burdensome for informal firms. • Only 30% of MSMEs have utilized the Online Single Submission (OSS) due to lack of awareness and low digital literacy. d. Limited Access to Broader Market. <ul style="list-style-type: none"> • Most MSMEs are focusing on domestic market due to a lack of awareness of government support and facilitation and thus, lack the intention to grow the businesses. According to data from 2019, MSMEs contributed only 15.65% of Indonesia's overall exports (Azis, 2024). e. Labor Market Rigidities <ul style="list-style-type: none"> • High social security costs deter small firms from hiring formal workers. • Rigid firing rules fuel growth in contract labour (60% of workers remain informal). <p>References:</p> <ul style="list-style-type: none"> • Indonesia's Future Lies in Its Informal Sector, 2023 • Bridging the skills gap: Fuelling careers and the economy in Indonesia – Economist Impact, 2024 • Empowering Indonesia's small businesses: Insights and strategies for overcoming digital and financial barriers Mastercard Newsroom, 2024
2.	Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor

	<p>and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?</p>
	<p>Policies and initiatives to promote participation in the formal economy in Indonesia:</p> <p>Policies</p> <ol style="list-style-type: none"> a. Law No. 59 of 2024 on the Long-Term Development Plan (RPJPN) 2025-2045. Indonesia's Long-term Development Plan for MSME empowerment covers the target to increase the number informal to formal business. b. Government Regulation No. 7 of 2021 on the Facilities, Protection and Empowerment for Cooperatives and MSMEs aims to provide protection and empowerment to cooperatives, MSMEs, and formalize the informal sector. Article 37 of the said Regulation elaborates that Business Licensing of MSME is carried out through an integrated electronic business licensing system, making it easier for MSME compliance. c. Presidential Regulation No. 12 of 2025 on the Medium-Term Development Plan (RPJMN) 2025-2029. Indonesia Medium-term Development Plan for MSME empowerment outlines six National Priorities to support MSME development, including the formalization of MSMEs. <p>Initiatives</p> <ol style="list-style-type: none"> a. Legality and support for Micro Enterprises <ul style="list-style-type: none"> • Facilitates the formalization of micro businesses by providing support to obtain Business Identification Number (NIB), through the Online Single Submission System (OSS). In 2024, the government has issued a total of 10,698,864 NIBs, and set the target to reach 2.3 million NIBs in 2025. • Aiding micro businesses to obtain product certification and standardization, including Halal Certification, Brand Certification, and Household Food Industry Certification (PIRT). • Provides a specialized financing scheme for Micro and Small Enterprises (Kredit Usaha Rakyat/KUR), with low interest/below market rates (around 6% interest rates from around 16% market rates). The Program disbursed IDR 297 trillion (USD 19B) in 2023 at 3–6% interests and able to create 1.2 million jobs/year. In 2025, the target KUR disbursement is set at IDR 300 trillion, with 60% of the total disbursement allocated for the production sector. • Fintech Innovations: Platforms such as Amarta utilize innovative credit scoring (ICS) as an alternative data (e-commerce sales) for credit scoring, reaching around 5 million unbankable MSMEs. b. Digital Payments <ul style="list-style-type: none"> • National Standard QR Code for Payments (QRIS): Unified QR payments now used by 22M+ merchants, reducing cash reliance. • E-commerce Integration: Partnerships with online marketplace such as GoTo and Shopee to auto registered 8M+ sellers. c. Capacity Building <ul style="list-style-type: none"> • Provides training and mentoring programs for micro enterprises. In 2025, the Ministry of MSMEs in collaboration with Regional Government established

	<p>around 100 integrated business service centers (PLUT) in various regions in Indonesia.</p> <ul style="list-style-type: none"> • Trained 16 million workers with digital skills. <p>Effective enforcement of labor laws and social security schemes can incentivize informal businesses to formalize, leading to ease to financial and market access, and hereafter increased productivity, income, and driving economic growth in general. Formalized processes also help MSMEs meet regulatory requirements, maintain quality standards of products, and address market needs (including global market).</p>
3.	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>The government continues to engage with groups with untapped economic potential, such as informal micro enterprises, womenpreneurs, and communities in areas with high poverty rates. These groups often face barriers such as limited access to finance, lack of business legality, low literacy, and minimal market access. To support their transition into the formal economy, the government implements various targeted strategies:</p> <ol style="list-style-type: none"> Supporting Informal Micro-Enterprises <ul style="list-style-type: none"> • Simplified Business Registration: government facilitates micro-enterprise registration through the OSS system, making it easier for businesses to obtain business ID. Enabling informal businesses to transform to the formal sector. • PLUT (Integrated Business Service Centers): Ministry of MSMEs collaborated with Regional Government to established 100 PLUT in various region in Indonesia. These PLUT, managed in collaboration with local communities, offer free coaching, mentorship, and business consultation to help micro-businesses formalize their operations and access market opportunities. • Financial Inclusion Initiatives: KUR program provides subsidized loans with low interest rates and minimal collateral requirements, to support micro enterprises to develop their business scale. Empowering Women Entrepreneurs <ul style="list-style-type: none"> • Women-Focused Financing Programs: The government collaborates with microfinance institutions, fintech platforms, and cooperatives to offer financing solutions tailored for women entrepreneurs. Programs like Mekaar (Ultra-Micro Financing), have successfully provided capital assistance to millions of women-led businesses. Supporting Micro-Enterprises in Areas with Extreme Poverty <ul style="list-style-type: none"> • Community-Based Business Support: The government collaborates with relevant stakeholders to establish cluster of MSMEs in remote and low-income areas, providing specialized business training, access to micro-loans, and mentoring programs <p>To ensure that the business development model will effectively meet the needs of women entrepreneurs, the government collaborates with key stakeholders, including relevant government ministries and agencies to align policies and regulations,</p>

	<p>business associations to provide market access and professional networks, women's organizations to advocate for gender-sensitive business policies, and universities, NGOs, and international organizations to contribute in research, capacity-building, and best practices in women's entrepreneurship. In addition, the government utilize surveys and data from SIDT-Ministry of MSMEs and Indonesia Bureau of Statistics.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>Since 2021, the government has been actively facilitating the formalization of micro businesses by providing support to obtain the Business Identification Number (NIB) through the Online Single Submission (OSS) system. This digital platform streamlines the licensing process by consolidating multiple permits into a single, efficient application process, which not only reduces bureaucratic delays but also provides micro enterprises with legal recognition. The initiative originally set a target of issuing 10 million NIBs in 2024, and successfully reach a total of 10,698,864 NIBs. Building on this success, the program continues with an additional target of 2.3 million NIBs in 2025.</p> <p>This formalization process offers significant benefits for micro enterprises. Legal recognition through the issuance of a NIB is required to allow access government programs, including training, mentoring, and financing opportunities. By transitioning from informal to formal, micro businesses not only enhance their credibility and transparency but also become eligible for government incentives and support schemes, such as targeted and low interest loans and social security programs. These benefits create a more conducive environment for growth and competitiveness, enabling micro businesses to thrive in a structured market.</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>Challenges and lessons learned:</p> <ul style="list-style-type: none"> • Government Safeguards: low-interest loans require financial literacy training to prevent misuse. • Digitization requires offline support: Deploying officials (such as representative from Indonesia Postal Office) is also critical for rural MSMEs. • Labor Reforms Are Urgent: Piloting "flexicurity" (easier hiring/firing with unemployment benefits) could balance flexibility and worker protection <p>To increase participation in the formal economy, the government is focusing on streamlining business registration and formalization through the OSS system, ensuring that micro businesses to obtain NIB. This initiative is supported by capacity-building programs, delivered through collaboration between central and regional governments, including coaching, mentoring, and targeted financial literacy training for informal micro businesses, women entrepreneurs, and micro enterprises in extreme-poverty areas.</p>

	<p>These efforts help bridge the gap between informal business practices and formal regulations while improving access to targeted financing programs, such as KUR and PNM. The government also aims to increase the number of MSMEs obtaining halal certification by 15–20% by 2025, which is expected to boost consumer trust, open new market opportunities, and improve overall competitiveness. Through this comprehensive initiative, Indonesia seeks to build a more inclusive and competitive formal economy, driving sustainable growth and reducing disparities in the MSMEs sector.</p>
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>a. Knowledge Sharing</p> <ul style="list-style-type: none"> • Learn from other economies on the successful development of an integrated SMEs data, digitalizing MSME model and e-Payment System via APEC Policy Partnerships on MSMEs. • Learn from other economies on simplified tax regime. <p>b. Funding and Pilots</p> <ul style="list-style-type: none"> • APEC Digital Innovation Fund: Scale up Indonesia OSS and QRIS interoperability. • Utilizing innovative credit scoring (ICS) for unbankable micro enterprises. • Blockchain for Supply Chains: for instance, the implementation of HARA Token for agri-MSMEs in Eastern Indonesia. <p>c. Regulatory Alignment</p> <ul style="list-style-type: none"> • Mutual Recognition on Indonesia's halal certificate and Household Food Industry (PIRT) certifications across APEC economies. • Cross-Border Privacy Rules (CBPR): Help MSMEs comply with e-commerce standards. <p>d. Targeted Support for Vulnerable Groups</p> <ul style="list-style-type: none"> • Women-Led MSMEs: APEC Women Entrepreneurship (WEMM) to focus and encourage micro-finance program for unbankable women-led businesses. • Gig Workers: APEC to scale-up the future of work initiatives, including gig-work and gig-worker. <p>Conclusion: A Blueprint for Emerging Economies</p> <p>Indonesia experience highlights that formalization requires an integrated policy approach on incentives, simplification of procedures, and technology adoption. Regional and multilateral forums could play crucial role in exchanging best practices, fostering cross-border collaboration, and developing research and policy recommendation to promote MSME development and financial inclusion.</p> <p>APEC collaboration in financial inclusion, digital transformation, and regulatory coherence could potentially enhance MSMEs competitiveness and overall economic resilience. Regional initiatives, such as SME development programs and cross-border</p>

capacity-building workshops, could be expanded to various target groups. Support for informal micro-enterprises require effort and cooperation to overcome persistent barriers and systemic challenges that hinder transition into the formal economy.

APEC can amplify impact by providing:

- a. An avenue for initiative, lesson learn and best practices in developing an integrated MSMEs database
- b. An avenue for initiative and lesson learned in providing financial alternative for unbankable MSMEs

JAPAN

1.	Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
	From the perspective of legal protection for workers and other entities, Japan has already established various labor laws and social security systems. Consequently, they can be covered by some form of legislation. Therefore, we do not perceive any significant obstacles or issues.
2.	Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?
	As stated in response to item 1, Japan has already established various labor laws and social security systems, enabling individuals to be covered by some form of legislation.
3.	Connecting with groups with untapped economic potential: Considering your economy's engagement of groups with untapped economic potential: <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	As stated in response to item 1, involvement with such groups is not expected.
4.	Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?
	Sharing of experiences is feasible, and international support has been extended based on the expertise of developed economies, including Japan. For further details, please refer to item 6.
5.	Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?
	As stated in response to item 1.
6.	Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and

	<p>multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>Regarding support through APEC, we believe that further discussions will be necessary. However, Japan supports the promotion of formalization in each economy. The Government of Japan has been providing support through the dispatch of experts in the fields of employment and social security, as well as through the sharing of Japan's knowledge in these areas. In addition, Japan contributes to the promotion of decent work and formalization, particularly in the Asia region, through financial contributions to the ILO. Specifically, this includes support for the development of social security systems, the organization of informal workers, and dialogues with governments on the establishment and implementation of systems such as social protection and minimum wages.</p>

NEW ZEALAND

1. Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?

The informal economy, as outlined in the APEC Policy Support Unit policy brief on "[Addressing Informality: Transitioning to the Formal Economy](#)" (February 2024), accounts for a relatively small proportion of New Zealand's economic activity and affects only a small number of workers. New Zealand has a very high rate of labour force participation, and flexible settings and institutions that facilitate labour market dynamism.

However, there are groups that experience forms of persistent disadvantage within the labour market, and this disadvantage may manifest in terms of more precarious employment, limited labour market mobility, and poorer lifetime outcomes.

The following factors have been identified as potentially contributing to experiences of persistent disadvantage and poor employment outcomes in the New Zealand labour market:

Life experiences and socio-economic characteristics of young people

Common risk factors that can contribute to poor outcomes in the long-term (including low educational attainment, benefit receipt, and limited employment) have been identified as follows:

- Leaving school with no qualifications or only Level 1 of New Zealand's National Certificate of Educational Achievement, and/or parents with low or no qualifications.
- Becoming a mother before age 19, and/or being the child of a young mother.
- Engagement with alternative education settings, and/or being stood down, suspended, excluded or referred to school attendance services.
- Multiple school moves.
- Involvement in the justice system before age 18.
- Growing up in a benefit-dependent household, being directly supported by benefits at a young age, and/or living in social or public housing.
- Using mental health services.
- Interactions with Oranga Tamariki (New Zealand's Ministry for Children, which has responsibilities for the wellbeing of children and specifically children at risk of harm, youth offenders, and children of the State).
- Not obtaining a driver's licence by age 18.

Implicit and explicit discrimination

This may include individual or systemic prejudices and inability to recognise the employment capability of others, including racism, ageing, ableism or factors such as the physical design of buildings/inaccessible systems of employment.

Social and economic mobility

This includes additional responsibility/capacity/commitments outside of employment (e.g. caring obligations, health issues, community commitments), as well as access to support networks (personal and professional), or availability of resources. Research

	<p>by the New Zealand Government on Preparing all young people for satisfying and rewarding working lives: Long-Term Insights Briefing (2023) identified some specific mobility factors that act as barriers to employment:</p> <ul style="list-style-type: none"> • Having caring responsibilities. Young people with caring responsibilities have amongst the highest levels of unemployment and/or non-participation in education or training. • Not having access to reliable transport or not having a driving licence. Young people who do not have a driver's license by age 18 were over three times more likely to spend half of their years in limited employment between ages 16 and 24. • Facing poor physical or mental health, including disability without adequate support. <p><u>Labour market environment and settings</u></p> <p>This includes the types of jobs that are available, who employers are looking for/willing to hire, labour market regulations, wage rates, reasonable accommodations and the broader economic and social environment.</p> <p><u>Access to appropriate government services</u></p> <p>This could include the type of supports and whether they are available to everyone who needs them (i.e. location, targeting, costs), the way supports and services are administered, and the cultural appropriateness of services.</p>
2.	<p><u>Policies and initiatives:</u> Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?</p>
	<p><u>Employment Action Plan</u></p> <p>The Employment Action Plan sets out the challenges and trends in New Zealand's labour market, the Government's vision to support people into work and lift economic outcomes and the key goals and actions across relevant ministerial portfolio areas, including Social Development and Employment, Education, Tertiary Education and Skills, Regional Development and Immigration portfolios to achieve the government's vision. Work to deliver the Plan is led by four lead agencies: the Ministry of Social Development (MSD), the Ministry of Business, Innovation and Employment (MBIE), the Ministry of Education (MOE), and the Tertiary Education Commission (TEC). These agencies work with one another and engage with businesses, other government agencies, local government, Māori and communities to deliver on these actions and support New Zealanders at many points across their life.</p> <p>The Employment Action Plan summarises the range of policies that the Government has enacted to support people to gain and retain employment. Of relevance to the goal of getting people into work are the following actions:</p> <ul style="list-style-type: none"> • Using community providers, clear obligations and targeted incentives to get young people off welfare and into work. This includes increases to phone-based case management and individual job plans. • Developing tools to support the provision of in-work training and training-related active labour market programmes.

	<ul style="list-style-type: none"> • Developing a life-course-derived approach to reducing persistent disadvantage. • Changes to work visa settings to support domestic jobseekers. <p><u>Financial inclusion and participation in the formal economy</u></p> <p>New Zealand’s response to the Individual Economic Report Questionnaire 2024 on financial inclusion contributes to the discussion on participation in the formal economy. Among the initiatives discussed, the Council of Financial Regulators was exploring the issue of access to basic bank accounts as there was evidence that some New Zealanders, such as youth, people entering insolvency and recent migrants face significant barriers to opening and maintaining a bank account (Westpac NZ Access to Banking in Aotearoa Report, April 2023).</p> <p>The Council of Financial Regulators has since released a public discussion paper, Issues Paper: Access to Basic Transaction Accounts (April 2025), on access to basic transaction accounts. It observes that approximately three per cent of New Zealand adults (18 and above) did not have any type of deposit account. It provides an analysis of international approaches to expand access to basic bank accounts as a policy tool to promote financial inclusion.</p> <p>The First Steps to Financial Inclusion Report (March 2025) by the Reserve Bank of New Zealand suggests that problems associated with access to transaction accounts are primarily related to the way Consumer Due Diligence checks are being implemented. Frontline staff reported that requirements for proof of identity and address, as well as complexities of paperwork are the top three barriers impeding them from opening transaction accounts for people.</p> <p>Having access to transaction accounts supports people and businesses to participate in the economy.</p>
3.	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy’s engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>The Employment Action Plan notes that there is a need to drive positive change for those population groups who experience differences in employment outcomes, and therefore a focus on growing and supporting the talent of a wide range of people – including women, Māori (New Zealand’s indigenous People), Pacific peoples, migrant and ethnic communities, disabled people, older workers and youth.</p> <p>Work on the actions in the Employment Action Plan includes engagement with research and evidence on outreach to and impacts on such groups and, as appropriate, engagement with representative bodies and the wider public on proposed policy changes and initiatives. General monitoring of the labour market also provides segmented reporting on participation of key groups within the labour market and associated trends analysis, which supports policy analysis and development.</p>
4.	<p><u>Best practices:</u> What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices</p>

	<p>have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>As noted in the Employment Action Plan, the New Zealand Government is interested in developing a life-course approach to promoting greater engagement in the labour market and reducing patterns of persistent disadvantage. Life course theory is relatively new in the employment and labour market space but has been used in the health field for decades. A life course perspective focuses on targeting interventions at the right time, tailored to people’s circumstances.</p> <p>Key research that is informing policy work on this approach includes Not just about NEETs: A rapid review of evidence on what works for youth at risk of limited employment (McGirr, M and Earle, D, Ministry of Education, 2019), Employability Development Theory: Policy Implications for Supporting Youth at Risk of Limited Employment (YARLE) (McGirr, M, 2022), and Preparing all young people for satisfying and rewarding working lives: Long-Term Insights Briefing (New Zealand Government, 2023).</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>The Employment Action Plan summarises the range of policies that the Government has enacted to support people to gain and retain employment (linked here: Employment Action Plan Ministry of Business, Innovation & Employment).</p>
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies’ experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>Informality has long been a problem globally, though the factors driving informality are not the same for every economy. The APEC Policy Support Unit in its policy brief “Addressing Informality: Transitioning to the Formal Economy” (February, 2024) identified bureaucratic barriers, deficiencies in developing human capital and weak institutions are some of the major factors underlying the presence of informality. These factors are often linked to subsistence issues, low productivity, socioeconomic vulnerability, and poverty. Unfair competition, tax evasion and lack of compliance to rules are also common in informal economies. Regional cooperation through mechanisms like APEC can support a shared vision on structural reform that drives improved competition, an enabling business environment, inclusive growth, good regulatory practice, etc. encouraging systemic change to increase levels of formality in the region. Regional cooperation can support the sharing of information about the levels of informality, contributing factors, and best practice examples on structural</p>

reform, policy and programmes to support greater engagement in the formal economy.

With relatively low rates of informal economy participation, New Zealand is interested in and focuses on enhancing human capital through education and training to improve workforce productivity and ensuring that workers gain the necessary skills to participate in the formal economy.

PAPUA NEW GUINEA

1.	<p>Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?</p>
	<p>There are barriers and challenges in PNG that affect workers and entrepreneurs to fully participate in the formal economy. Among others, major ones are as follows:</p> <ul style="list-style-type: none"> • Access to funds needed for growth <p>According to reports, about 94% of the Small-Medium Entrepreneurs (SMEs) and aspiring entrepreneurs have never received loan from banks to support their expansion and substance of business¹. The Asian Development Bank observed in 2020 that the size, composition, breadth, and diversity of PNG's financial services sector were still limited². In terms of competition, there are three (3) commercial banks operating in PNG, coupled with slow expansion of other financial institutions, such as credit unions and cooperatives. This is attributed to structural constraints which play a role in limiting financial access, coupled with limited exposure to financial services, as well as PNG's geography and remoteness to access these services.</p> <p>It is widely acknowledged that the poor availability and limited use by households and SMEs of appropriate financial services and products are key constraints on socioeconomic development. The majority of the population of PNG has limited access to formal financial services³. Further, the high levels of crime, corruption, and poor security restricting cash movements across most of PNG have aggravated the situation. Reports show that the weak growth of the sector may also be attributed to excessive regulation and high costs (which hinder competition), and limited knowledge of financial services (which restricts business growth)⁴. Lack of access to finance seriously impedes the transition of SMEs to progress further.</p> <p>This is compounded by stringent regulations associated with customer registration and monitoring in PNG's financial and banking industry. This has led to increase in compliance costs, which consequently discouraged existing workers and entrepreneurs from opening new accounts, poisoning deterrence to potential customers to access formal financial system.</p> <ul style="list-style-type: none"> • Absence of adequate infrastructure to support transition to formal economy <p>A significant enabler that boosts participation of entrepreneurs and citizens at large in any formal endeavors is the existence of modern infrastructure and utilities including road, ports, electricity and telecommunication. Apparently, in all fronts, PNG as a developing economy, is struggling to deliver functioning and efficient provision of essential infrastructure and utility services. Most of these essential services are provided by state-owned enterprises (SOEs) where majority of them are operating in a monopolistic environment, subject to economic regulation. However, most of the SOEs in PNG have been criticized for being unprofitable and failing to deliver</p>

¹ <https://oxfordbusinessgroup.com/reports/papua-new-guinea/2016-report/economy/big-support-a-range-of-measures-to-promote-the-growth-of-smes>

² <https://www.adb.org/sites/default/files/project-documents/53097/53097-001-cp-en.pdf>

³ <https://www.thecefi.org/wp-content/uploads/2019/01/2nd-NFIS-CEFI-PNG.pdf>

⁴ <https://www.adb.org/sites/default/files/publication/530256/pacific-finance-sector-papua-new-guinea.pdf>

	<p>essential services required to enhance business activities and development prospect⁵. Case in point is the frequent power outage which severely impacted business operations. Lack of critical infrastructure and utility services significantly hinder connectivity, accessibility and growth in the economy. This limits prospect of larger population in regional and remote part of the PNG of social services like education and health, markets and income-earning opportunities, consequently, hamper progress to achieve inclusive and sustainable development.</p>
<p>2.</p>	<p><u>Policies and initiatives:</u> Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?</p>
	<p>In the context of the challenges highlighted above, some policy initiatives or programs in PNG that have been implemented to enable participation in formal economy, are as follows:</p> <ul style="list-style-type: none"> • SME Policy and National Finance Inclusion Policy <p>The SME Policy has been designed and implemented with a view to support small and medium-sized enterprises (SMEs) through enabling entrepreneurs to access to finance and related training. The ultimate motive is to be the catalyst to progress from informal setting to a formal establishment, thereby expanding the economy and create much needed employment for all places.</p> <p>The scope and challenges of financial inclusion in PNG are captured and advocated in various policies and strategies, notably the PNG's Small and Medium Enterprise (SME) Policy (2016) and the National Financial Inclusion Policy (2019), which are both aligned with its Vision 2050 and in the National Financial Inclusion Strategy for 2016–2020⁶. The Financial Sector Development Strategy for 2018–2030 aims to expand the finance sector's contribution to PNG's social and economic development⁷. The recently launched Medium Term Development Plan (2023-2027) also placed strong emphasis on financial inclusion initiatives as important vehicles to empower people financially through access to financial services, credit facilities, savings and investment⁸.</p> <ul style="list-style-type: none"> • SOEs reform for efficient infrastructure services <p>There is a strong focus in PNG currently on the reform of SOEs in order to achieve economic efficiency and profitability in providing critical infrastructure and utility services. The Government through the Ministry of Public Enterprise and State Investments, with the backing of the Asian Development Bank and other multi-lateral agencies, has a determined approach to reform the SOEs, to reduce their fiscal drag on the economy and provide a platform for growth. Implementation of these reforms will strengthen financial capacity and operational performance of the SOEs, many of</p>

⁵ <https://www.adb.org/publications/finding-balance-2023>

⁶ Government of Papua New Guinea (PNG). 2016. SME Policy. Port Moresby; Government of PNG. 2019. National Financial Inclusion Policy. Port Moresby; Government of PNG. 2008. The Vision 2050. Port Moresby; Government of PNG. 2016. National Financial Inclusion Strategy, 2016–2020. Port Moresby.

⁷ Government of PNG. 2018. Financial Sector Development Strategy 2018-2030. Port Moresby.

⁸ Department of National Planning & Monitoring (2023) *Medium Term Development Plan IV (2023-2027)*, Government of Papua New Guinea

	which are tasked with an important role of delivering critical infrastructure services in roads, airports, seaports, electricity and water.
3.	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>SME is a backbone of majority of the PNG's population relying on informal economy transactions and livelihood. According to record, it makes a major contribution to economy-wide output, accounting for 200,000 jobs and an estimated 10% of GDP⁹. It is envisaged in the longer term that the government will strive to increase the SME sector's share of GDP to 50%. However, recent studies have shown that PNG has an alarming discrepancy in financial inclusion in the Pacific region where 29% of women are less likely than men to have access to financial services¹⁰. This is attributed to poor financial management and digital skills in women. This is set to change with the onset of mobile money access to smartphones, digital devices and data services. This intervention is set to enhance connectivity for women populace and aspiring entrepreneurs in rural settings.</p>
4.	<p><u>Best practices:</u> What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>Papua New Guinea is primarily a cash-based and informal economy. That in itself is a challenge. To progress into a formal economy, the pre-requisite ingredients are still missing. However, there have been significant reforms over the past years, to enhance human capital and infrastructure, rule of law, regulatory quality, competition, public safety and anti-corruption. Most of these endeavors and reform undertakings are within the premise and parameters of best practices. For example, a recent structural reform in the energy sector has triggered an establishment of an energy authority, the National Energy Authority. Its set up and related administrative and regulatory functions are consistent with the best practice in energy regulation.</p>
5.	<p><u>Action plans:</u> Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>Expansion of essential services like telecommunication and electricity will be pivotal in enabling entrepreneurs and populace to progress and transition into formal way of doing business. For example, the undersea cable (fibre-optic) inking PNG, Solomon Islands and Australia, will be crucial to boost the ICT infrastructure, increase efficiency</p>

⁹ <https://oxfordbusinessgroup.com/reports/papua-new-guinea/2016-report/economy/big-support-a-range-of-measures-to-promote-the-growth-of-smes>

¹⁰ <https://www.uncdf.org/article/5804/five-reasons-women-in-solomon-islands-and-papua-new-guinea-are-financially-excluded>

	and greatly reduce cost. In addition, the roll out of rural electrification will enable access to electricity to boost business and livelihood.
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>The Government of PNG is committed to drive need reform in important sectors of PNG to create a conducive and seamless environment for all citizens and business to progress and transition into formal economy. This effort can be amplified through forums like APEC where there's similar strategies on financial inclusion advocated and driven by member economies. Being part of regional cooperation provides invaluable opportunity to learn important lessons to assist the course for improved growth and sustainable development through adoption of best practices to address the underlying barriers to financial inclusion.</p>

PERU

1.	<p>Barriers and challenges: Considering your economy’s current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?</p>
	<p>Five Main Barriers:</p> <ul style="list-style-type: none"> ➤ Low productivity with limited access to financing: A large portion of the workforce and small businesses operate in low-productivity sectors, with limited access to credit that would allow them to develop technology or improve training. ➤ Lack of attractive tangible incentives for formalization: One of the structural challenges in Peru is the low perception of real benefits from entering the formal economy. For many workers and entrepreneurs, the costs associated with formalization—such as tax, labor, and administrative costs—are not offset by tangible advantages. ➤ Weak monitoring or support for compliance with labor regulations: The rate of labor law violations has declined slowly over the past three years. As of 2025, according to reports from “National Labor Inspection Authority (SUNAFIL)”, there are 853 inspectors, whose area of intervention covers salaried employees in the formal private sector, which represents approximately 2.7 million jobs. Therefore, improved monitoring through technology is required. ➤ Low level of human capital in the labor market: Human capital development is not seen by employers as an attractive mechanism for talent retention. Thus, 42.1% have completed secondary education, 14.5% hold university degrees, 11.5% have non-university higher education, 21.3% have only primary education, and 10.7% have no formal education¹¹. ➤ Deficient productive and technological structure: For example, Peru’s poor logistics performance affects our productivity and competitiveness. According to the latest available data from the World Bank’s Logistics Performance Index (LPI) in 2018, Peru ranked 83rd, facing major challenges in infrastructure quality, logistics services, and customs efficiency. This situation results in exporting from Peru being up to five times more expensive than from an OECD member. The improvement of the productive environment will facilitate formal labor hiring by businesses. <p>Main Challenges:</p> <ul style="list-style-type: none"> ➤ Implement public policies that promote access to financing for small businesses, boosting their productivity for the development of sustainable enterprises. In 2022, the average interest rate in the banking system was 36.3% for microenterprises, 22.5% for small enterprises, 14.1% for medium-sized enterprises, and 10.6% for large enterprises. ➤ Improve the regulatory framework, focusing on enhancing the quality of social protection to make the formal sector more attractive. ➤ Enhance labor inspection intervention strategies through Information and Communication Technologies (ICT). ➤ Strengthen multisectoral coordination that promotes job training and the development of skills.

11 “National Institute of Statistics and Informatics” (2025). “Permanent National Employment Survey” [Data file]. <https://proyectos.inei.gob.pe/microdatos/>

	<p>➤ Continue implementing the “National Sustainable Infrastructure Plan for Competitiveness 2022–2025”, and update it for the following years, prioritizing infrastructure that most impacts productivity.</p> <p>In all cases, the barriers show similar behavior across sectors; however, the following particularities stand out:</p> <p>➤ In Peru, there are sectors with low productivity and high levels of informal employment, notably the Extractive and Commerce sectors¹².</p> <table border="1" data-bbox="544 528 1106 875"> <thead> <tr> <th>Sector</th> <th>Informally employed workforce</th> <th>Productivity: GDP per worker (PEN)</th> </tr> </thead> <tbody> <tr> <td>Extractive</td> <td>3,797,059</td> <td>24,204</td> </tr> <tr> <td>Manufacturing</td> <td>923,566</td> <td>47,665</td> </tr> <tr> <td>Construction</td> <td>899,618</td> <td>30,714</td> </tr> <tr> <td>Commerce</td> <td>2,377,824</td> <td>18,457</td> </tr> <tr> <td>Services</td> <td>4,223,978</td> <td>34,892</td> </tr> </tbody> </table> <p>➤ In the case of the low level of human capital, the majority of workers in the extractive sector have only completed primary education, unlike other sectors where most workers have completed secondary education.</p> <p>➤ In the Commerce and Services sectors, there is a large number of micro and small enterprises (MSEs) that face the greatest difficulty in formalizing.</p>	Sector	Informally employed workforce	Productivity: GDP per worker (PEN)	Extractive	3,797,059	24,204	Manufacturing	923,566	47,665	Construction	899,618	30,714	Commerce	2,377,824	18,457	Services	4,223,978	34,892
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	<p>Policies or initiatives that have been implemented to promote the participation of the workforce in the formal economy:</p> <p>➤ “National Policy on Decent Employment, approved by Supreme Decree No. 013-2021-TR”¹³. It has labor formalization as one of its strategic pillars. This policy aims to guarantee dignified, inclusive, and sustainable labor conditions for the Peru's economically active population.</p> <p>➤ Integrated Center "Formalize Now" (CIFA), created by Ministerial Resolution No. 071-2018-TR¹⁴ and modified by Ministerial Resolution No. 150-2024-TR. It is an initiative of the Ministry of Labor and Employment Promotion (MTPE) aimed at promoting and facilitating entry into and permanence in labor formalization through its services of orientation, training, and technical assistance. It provides services of guidance, training, and technical assistance to individuals and legal entities interested in regularizing their labor situation or learning more about the benefits of being formalized.</p>																		

12 Instituto Nacional de Estadística e Informática. (28 de abril de 2025). Cuentas Nacionales. <https://m.inei.gob.pe/estadisticas/indice-tematico/national-accounts/>

13 <https://www.gob.pe/institucion/mtpe/normas-legales/1966218-013-2021-tr>

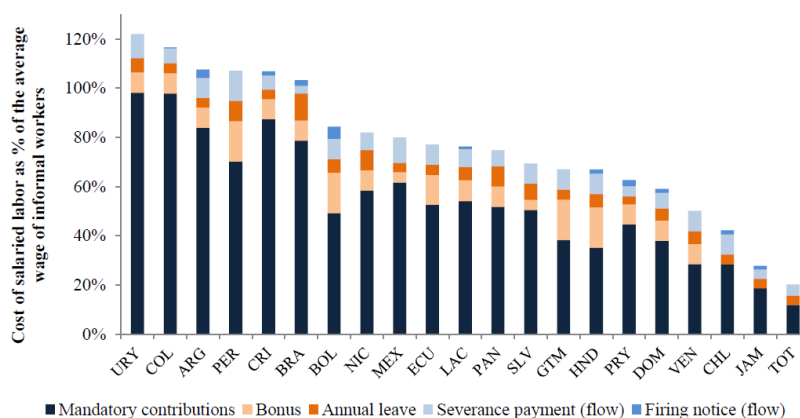
14 <https://www.gob.pe/institucion/mtpe/normas-legales/2233-071-2018-tr>

- **“The National Strategic Development Plan” (2023)** establishes the following priority interventions to address the challenge of high levels of informal employment, which impacts job quality:
 - A strategy to formalize businesses through the use of information technology.
 - Strengthening technological vocational training to access quality jobs.
 - Deploying workforce training programs and partnerships with higher education institutions to professionalize the current labor force of Peru's economically active population.
- Another related policy is the “National Industrial Development Policy”, approved by Supreme Decree No. 016-2022-PRODUCE, which constitutes a strategy designed to boost the growth and competitiveness of Peru's industrial sector. This policy establishes guideline 1.2 on "Strengthening formalization mechanisms in manufacturing companies" for Priority Objective 01 on "Increasing the productivity of manufacturing companies."

Impact of labor and social security regulations on formal employment in the economy:

- Non-wage labor costs in Peru are among the highest in the region, which requires productive units to be more efficient in order to comply with labor regulations.

Non-wage labor costs (Latin America and the Caribbean)



Source: Interamerican Development Bank - Measuring the Cost of Salaried Labor in Latin America and the Caribbean.

- It also presents high labor rigidity, as shown by the World Economic Forum (WEF), with characteristics that make the formalization process difficult:

Score of the "Hiring and Firing Practices" component of the "Flexibility" sub-pillar of the Competitiveness Index

Economy	Score	Ranking position
Hong Kong, China	80.6	1

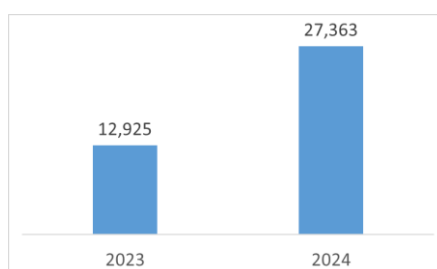
Mexico	40.5	107
Colombia	36.7	117
Chile	34.4	124
Peru	28.0	134

Source: World Economic Forum (WEF) - The Global

Competitiveness Report 2019

- In this context, CIFA has managed to provide a total of 254,737 services throughout Peru in 2024 through its guidance, technical assistance, and training services, formalizing individuals in the following manner:

Peru: Number of Workers Formalized by the Integrated Center “Formalize Now” (2023–2024)



Source: Sistema Informático del Centro Integrado “Formalízate Ahora”

- The implementation of the “National Policy on Decent Employment” and the Integrated Center “Formalize Now” (CIFA) has contributed to the informal employment rate reaching 70.9% in 2024, representing a decrease of 0.2 percentage points (p.p.) compared to the previous year’s rate of 71.1%.

- 3. Connecting with groups with untapped economic potential:** Considering your economy’s engagement of groups with untapped economic potential:
- How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy?
 - How do you assess their needs? Do you utilize any methodology in this process?

The female labor force participation rate is significantly lower than that of men—62% compared to 78%. Among women who are employed, 73% work in informal employment, compared to 69% of men. Furthermore, the gender wage gap is 29%. In this context, various actions have been taken to facilitate women's participation in the labor market and reduce gender disparities in the formal sector.

Regarding to Equal Pay for Women in the Formal Economy:

- Actions have been taken to promote equal pay for men and women for work of equal value, most notably the enactment of Law No. 30709, which prohibits pay discrimination between men and women, along with its Regulation, approved through Supreme Decree No. 002-2018-TR.
- In this regard, the Third Final Supplementary Provision of the Regulation of Law No. 30709 states the following:

“Third. – The Ministry of Labor and Employment Promotion, through a Ministerial Resolution, shall issue reference guidelines that may be used by employers to

evaluate job positions and define the job classification and function charts, within sixty (60) calendar days following the publication of this Regulation. The reference guidelines will include, among other elements, templates for job classification and functions, as well as wage policy models."

- Accordingly, Ministerial Resolution No. 243-2018-TR approved the "Guide containing reference guidelines that may be used by employers to evaluate job positions and define the job classification and functions chart," a technical document that employers can consult to comply with the provisions of Law No. 30709.
- In addition, Ministerial Resolution No. 145-2019-TR approved the "Methodological Guide for the Objective, Non-Discriminatory Job Evaluation and Preparation of Job Classification and Function Charts," developed by the Ministry of Labor and Employment Promotion (MTPE). Both measures are reference tools meant to be adapted to each company's specific industry or sector.

Regarding the protection of working mothers:

- Considering that maternity could be a limitation for women, potentially widening the gender gap in mothers' access to employment, the Peruvian government has developed various regulations aimed at promoting the reconciliation of family and work life in favor of working mothers, allowing them to fulfill their family responsibilities without neglecting their work obligations. These include regulations on the right to prenatal and postnatal leave; breastfeeding leave; labor leave for adoption; protection for pregnant women performing tasks that may put their health and/or the normal development of the embryo and fetus at risk; the implementation of breastfeeding rooms in both public and private sector institutions; and promoting the labor market integration of women who are victims of all forms of violence through programs carried out by public administration entities.
- There is also a daycare service provided by the Ministry of Development and Social Inclusion (MIDIS) of Peru, which offers comprehensive care to children aged 6 to 36 months who require attention to their basic needs in health, nutrition, safety, protection, affection, rest, play, learning, and skill development. This service facilitates opportunities for mothers to participate in the labor market. It is offered Monday through Friday, for 8 hours a day at Cuna Más daycare centers, managed by "Caregiver Mothers". In 2021, 60,300 children received care through this program.

Regulations oriented to foster equality

In addition, in Peru, various regulations have been issued to promote non-discrimination in the labor sector, being these laws that protect especially vulnerable groups. The following are listed:

- Law No. 26626, the "Contrasida" Law, and its Regulation, approved by Supreme Decree No. 004-97-SA. Article 6 of this Law states that dismissal due to discrimination for being a carrier of HIV/AIDS shall be considered null and void.
- Law No. 26772, which stipulates that job offers and access to educational training cannot contain requirements that constitute discrimination, nullification, or alteration of equal opportunities or treatment.
- Law No. 27270, the Law against Acts of Discrimination, primarily aimed at amending the Penal Code to criminalize discrimination

	<ul style="list-style-type: none"> ➤ Law No. 29973, the General Law on Persons with Disabilities and its Regulation, approved by Supreme Decree No. 002-2014-MIMP. Section 1 of Article 8 of this Law states that a person with a disability has the right to equality before the law and not to be discriminated against on the basis of their disability. ➤ Law No. 30287, the Law for the Prevention and Control of Tuberculosis in Peru, and its Regulation, approved by Supreme Decree No. 021-2016-SA. Article 4 of this Law mentions the right to non-discrimination for people affected by tuberculosis in all aspects of their life. ➤ Law No. 30490, the Law on Older Adults and its Regulation, approved by Supreme Decree No. 007-2018-MIMP. Article 5.1 of this Law states that older adults are entitled to human rights and fundamental freedoms, specifying in subsection (b) that they have the right to non-discrimination on the grounds of age and not to be subject to a negative image. ➤ Law No. 30709, the Law that prohibits wage discrimination between men and women and its Regulation, approved by Supreme Decree No. 002-2018-TR. ➤ Supreme Decree No. 003-97-TR, which approves the Single Text of the Legislative Decree No. 728, the Labor Productivity and Competitiveness Law and its Regulation, approved by Supreme Decree No. 001-96-TR. Article 29 of Supreme Decree No. 003-97-TR lists various reasons for which dismissal can be considered null, including discrimination on the grounds of sex, race, religion, opinion, language, disability, or any other reason in subsection (d). Similarly, subsection (f) of Article 30 mentions that acts of discrimination on the grounds of sex, race, religion, opinion, language, disability, or any other reason are considered acts of hostility comparable to dismissal. ➤ Supreme Decree No. 019-2006-TR, which approves the Regulation of Law No. 28806, the General Law on Labor Inspection, where discriminatory acts in labor relations, employment, and placement are sanctioned as very serious infractions. <p>Regarding the assessment of vulnerable population needs and methodology</p> <p>The Peruvian government has implemented a specific methodology for regulatory improvement, established through Legislative Decree No. 1565. One of the instruments for regulatory improvement is the “early public consultation”, which involves the participation of relevant public entities, experts, academics, civil society representatives, business associations, labor unions from the private sector, and the general public. This process allows for the collection of suggestions and/or necessary information to strengthen the identification of public issues, including the incorporation of economically active vulnerable groups into the formal economy.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>No ineffective practices have been identified, but there are experiences and/or practices worth sharing that are considered innovative, as they involve coordinated and joint participation among various entities, as follows:</p> <ul style="list-style-type: none"> ➤ Integrated Center “Formalizate Ahora” (CIFA)

- Its main objective is to promote and facilitate labor formalization for the working-age population. It offers guidance, training, and technical assistance to individuals and businesses interested in regularizing their labor status or learning more about the benefits of being formalized. Currently, it has 34 offices throughout Peru.
- CIFA operates through a multilevel coordination model, where the Ministry of Labor and Employment Promotion provides oversight (technical regulation), and Regional Governments are responsible for delivering services. It also involves multisectoral coordination with various entities involved in the formalization process.
- It is worth noting that the number of formalized individuals in 2023 was 12,925 workers, and in 2024, this number increased to 27,363 workers.

➤ **Labor Formalization Fairs**

- These fairs serve as citizen service spaces that bring formalization services closer to workers and employers by simplifying procedures and providing information in coordination with public and private entities.
- In 2024, 54 fairs were held throughout Peru. For 2025, a total of 320 events are planned, including 60 fairs (an average of 2 per Peruvian region) and 18 Youth Labor Formalization Forums in various regions. It is important to mention that each Regional Government selects the location for its own events. In the first quarter of 2025, 184 events have been held, including 55 fairs, 58 forums, and 71 mobile service modules throughout Peru.

Orientation and Technical Assistance Programs

- The Ministry of Production of Peru provides guidance that explains the benefits of formalization through regulatory compliance. Experience has shown that combining supervision with technical support significantly improves companies' willingness to comply with the regulatory framework applicable to micro and small enterprises in industry and domestic trade. This is because they perceive a government that not only supervises but also facilitates, supports, and guides.

Peruvian Program “Tu Negocio” (PNTE)

- The PNTE offers services such as support for business incorporation and formalization, personalized advisory services, training in business management, digitalization, productive development, and access to financing, all with a decentralized approach that enables implementation throughout Peru. An innovative aspect has been the use of WhatsApp as a service channel, making it easier for thousands of entrepreneurs to access services, especially in areas with limited in-person access.
- In 2022, thanks to this program, 13,548 businesses were formalized, representing 10.2% of all newly registered businesses. While the digitalization of services is a step forward in terms of accessibility, challenges remain regarding internet access and the digital divide, particularly in rural or low-income areas. This highlights the need to complement formalization policies with strategies for digital inclusion and the development of technological capabilities.

The success of CIFA interventions and formalization fairs is measured through an outcome indicator: the number of workers formalized. These measures have contributed to an informal employment rate of 70.9%, which represents a decrease of 0.2 percentage points compared to the previous year. Since their implementation in 2018, over the past five years and in the long term, these measures have led to a 1.8 percentage point reduction in informality, from 72.7% to 70.9%, with no measurable medium-term results due to the effects of the COVID-19 pandemic.

5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>Short-term plans:</p> <ul style="list-style-type: none"> ➤ Creation of the Permanent Multisectoral Commission for Labor Formalization. Its purpose is to establish a permanent coordination space among public entities for the monitoring and alignment of benefits, incentives, programs, mechanisms, or similar actions provided by public or private entities that benefit or impact labor formalization—whether directed at workers or employers. ➤ Creation of the “National Labor Formalization Program”. This program would provide conditional cash transfers to private sector employers for the creation and/or preservation of formal employment. These transfers would temporarily subsidize a portion of wage and/or non-wage costs for low-income (vulnerable) workers. ➤ Approval of the Labor Information Certificate for Companies (CILE). The CILE will serve as a standardized document that consolidates information from the electronic payroll system, the labor inspection, IT system, and—when applicable—sectoral licenses and authorizations. This certificate validates that a company meets specific standards for conducting a particular business activity. <p>Medium-term plans:</p> <ul style="list-style-type: none"> ➤ Multisectoral interventions. These would stem from the recommendations made by the Permanent Multisectoral Commission for Labor Formalization ➤ Labor Services Information System. This system aims to integrate financial and operational information from over 30 labor-related services offered across the 26 Regional Governments, as well as from the 26 Regional Offices of the “National Superintendency of Labor Inspection (SUNAFIL)”. ➤ Implementation of the Digital One-Stop Window (Ventanilla Única Digital – VUD), Included as one of the milestones of the Coordinated Strategy for Business Development and Formalization under “Peru’s National Competitiveness and Productivity Plan”. This platform will centralize the formalization process digitally. The project has already been shared with the participating entities, taking into account their roles and responsibilities in implementing the VUD. These entities are all part of the formalization process and contribute to the required administrative procedures for digital business formalization. <p>Resources:</p> <ul style="list-style-type: none"> ➤ Domestic financing: Through the public budget managed by the Ministry of Economy and Finance of Peru. ➤ Regarding the VUD: Financial resources have been allocated for the implementation of its components in partnership with the Organisation for Economic Co-operation and Development (OECD). Additionally, further funding is being considered to support the operation, maintenance, and sustainability of one of the platform’s components.
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies’ experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be</p>

	leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?
	<ul style="list-style-type: none">➤ It is recommended to promote projects aimed at:(i) better understanding the success factors in technology transfer processes and access to international markets in the food industry; (ii) the exchange of experiences and best practices regarding policies, regulations, and initiatives that can be utilized by APEC economies in the areas of technology transfer and access to international markets;(iii) promoting multilateral technology transfer projects among APEC economies.➤ APEC can also support economies by facilitating the exchange of experiences and best practices among member economies and promoting capacity-building programs and technical assistance in circular economy in the following areas: (i) Technological innovation: Collaboration in the adoption of advanced technologies and circular practices; (ii) Financing: Development of regional financing mechanisms to support circular economy projects. Regional initiatives that could be leveraged or expanded include: (i) Industrial symbiosis networks: Expansion of industrial symbiosis networks to optimize resource use; (ii) Green markets: Promotion of green markets and exhibition spaces for circular products.

THE PHILIPPINES

1.	<p>Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?</p>
	<ul style="list-style-type: none"> • Regulatory and compliance concerns. Micro and small businesses struggle with compliance due to complex government regulations, lengthy timelines, and complex administrative and regulatory requirements. For instance, real estate businesses must acquire a license to sell from the Department of Human Settlements and Urban Development and financing firms must register with the Bangko Sentral ng Pilipinas (Central Bank of the Philippines) as part of business registration requirements. These challenges to business registration, renewal, and operations discourage entrepreneurs from participating in the formal economy and can result in unintentional non-compliance and penalties. A study on local tourism business operations in Southern Philippines also reveals gaps in regulatory awareness and varying levels of compliance with mandatory regulations¹⁵. • Limited access to capital and resources. Small businesses and entrepreneurs struggle to secure financing due to insufficient collateral or poor credit history, limiting their growth and formal economy participation. High business startup and maintenance costs in the Philippines further discourage micro, small, and medium enterprises (MSMEs) and startups with limited capital from entering the formal economy.¹⁶ • Competition from larger businesses. Micro businesses in the services sector face intense competition from well-established companies with more resources, pricing power, and marketing capabilities, making it difficult for them to attract and retain customers. This further limits micro businesses' participation in the formal economy¹⁷. • Preference for the flexibility of informal jobs. Some informal sector workers (ISW) prefer the flexibility of informal jobs due to various circumstances (i.e., flexibility of time, lower taxes, above-minimum wage pay, and less stringent qualification requirements, among others)¹⁸. • Notable skills gap in the labor force. Within the ASEAN region, only 24 percent of Filipino workers are classified as highly skilled¹⁹, highlighting deficiency in higher-level skills training as noted in the Second Congressional Commission on

¹⁵ Nasa-an, Jesther, et al. (2024). Gearing Toward Sustainability: Knowledge and Compliance of Local Tourism Business Operators in Southern Philippines on the Mandatory Regulations (https://www.shs-conferences.org/articles/shsconf/pdf/2024/24/shsconf_diges-grace2024_06004.pdf. Accessed on 7 April 2025)

¹⁶ [Formalisation of Micro Enterprises in ASEAN POLICY INSIGHT 2020.docx](#)

¹⁷ N90 Asia (2024). Advantages and Challenges of Micro Businesses in Philippines (<https://www.n90.asia/post/advantages-and-challenges-of-micro-businesses-in-philippines>. Accessed on 04 April 2025)

¹⁸ Analysis of the Informal Sector Workers in the Cities of Cagayan De Oro and Iligan, conducted by NEDA- Social Development Staff and NEDA Regional Office X

¹⁹ TESDA. SKILLS NEEDS ANTICIPATION AND SKILLS MAPPING-Manufacturing Sector (<https://www.tesda.gov.ph/Uploads/File/WSS/2024/Skills%20Mapping%20and%20Anticipation%20-%20Manufacturing%20Sector%20Report.pdf> accessed on 30 May 2025)

	<p>Education (EDCOM II) Year 1 Report²⁰. This shortage hinders businesses from adopting contemporary practices and effectively competing in the global marketplace. Additionally, 67 percent of companies in the Philippines cite skill gaps in the labor market as a primary barrier to business transformation. The EDCOM II Year 2 Report²¹ also found that one-third of college graduates work in non-college roles, particularly in hard-to-fill occupations, resulting in lower wages, job dissatisfaction, reduced productivity, and diminished economic competitiveness.</p> <ul style="list-style-type: none"> • Limited Digital Connectivity: The Philippines faces a persistent digital divide, with significant disparities in broadband access that hinder participation in the formal economy.²² The lack of digitalized government services, especially in rural areas, limits business growth, financial inclusion, and citizen access to essential services. Compounded by digital illiteracy, this challenge restricts economic opportunities and deepens social inequalities.
2.	<p><u>Policies and initiatives:</u> Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?</p>
	<ul style="list-style-type: none"> • Ease of Doing Business and Efficient Government Service Delivery (EODB-EGSD) Act of 2018 (Republic Act [RA] 11032). This law promotes easier compliance with registration and regulatory requirements, enticing more firms to enter the formal economy. • First Time Jobseekers Assistance Act (RA 11261). This law removes government fees for documentary requirements for employment applications to reduce financial barriers for first-time job seekers. • Employment facilitation through the Public Employment Service Offices (PESO). The local government units (LGUs), in coordination with the Department of Labor and Employment, conduct employment facilitation through the PESO. These offices support job seekers by offering career guidance, job-matching services, and referrals to employers. • Special Program for Employment of Students, Government Internship Program, and JobStart Philippines. These programs enhance the employability of young individuals through internships, life skills training, and technical education. • ILO-Philippines Integrated Formalization Project. This project combines the digitalization of MSMEs, e-government IDs, and simplified business registration to reduce administrative barriers. It prioritizes agricultural workers, platform/gig workers, and construction sectors through sector-specific formalization strategies²³.

²⁰ [MISEDUCATION-The Failed System of Philippine Education](#)

²¹ [EDCOM-2-Year-2-Report-Fixing-the-Foundations-2025.pdf](#)

²² Better Internet for All Filipinos: Reforms Promoting Competition and Increasing Investment for Broadband Infrastructure. Retrieved from

<https://openknowledge.worldbank.org/entities/publication/81fa48e6-866b-49bc-8f0d-27c86dee5f68>

²³ International Labor Organization. (2025). Rise from multiple crises through the integrated formalization of informal economy with social protection and decent work in the Philippines (<https://www.ilo.org/projects-and-partnerships/projects/rise-multiple-crises-through-integrated-formalization-informal-economy> Accessed on 3 April 2025)

	<ul style="list-style-type: none"> • Enterprise-based education and training (EBET) programs. The government is committed to expanding EBET programs, including apprenticeships and dual training. The implementing rules and regulation of the EBET Framework Act laid out the different modalities. • Shared Service Facilities (SSF) project of the Department of Trade and Industry (DTI). This project provides MSMEs with access to machinery, equipment, and the requisite skills and knowledge, addressing the lack of access to innovative techniques and new technology and allowing them to contribute more to both the domestic and international markets. As of 2024, 3,651 SSF projects have been established across the Philippines, serving almost 700 thousand beneficiaries, of which over half are MSMEs. It has also generated 386 thousand jobs in agri-processing and manufacturing industries²⁴. • ARISE Plus Philippines Program. Under this program, the DTI provided targeted support to firms, especially MSMEs, such as capacity building programs on food safety and regulations for export-oriented manufacturing and agri-processing. • ARTA's initiatives on reducing burden of regulation. <ol style="list-style-type: none"> 1. Conduct of basic and advanced Regulatory Impact Assessment (RIA) training activities for LGUs and government agencies; 2. Launching of the Policy Reform, Innovation, and Streamlining Management (PRISM) e-learning platform for training on regulatory reforms; 3. Implementation of the electronic Business One-Stop Shop (eBOSS) program by LGUs to streamline the process of obtaining local business licenses and permits in a single digital portal. The government also partnered with private sector firms to support its full implementation; and 4. Implementation of the National Effort for the Harmonization of Efficient Measures of Inter-related Agencies (NEHEMIA) Program in various key sectors of the economy.
3.	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<ul style="list-style-type: none"> • Public Consultations. The government conducts public consultations with the informal sector through various fora both at the economy and local levels (i.e., National Anti-Poverty Commission Basic Sector Councils, and local government initiatives, among others). • Financing opportunities and technical assistance such as, but not limited to: <ol style="list-style-type: none"> 1. Negosyo Centers, Credit Facilities, Government Contracts, etc. as mandated by the Go Negosyo Act (RA 10644) and the Magna Carta for Small Enterprises (RA 6977, as amended by RA 8289) 2. DTI Ctrl+Biz Reboot Now!, which offers free webinars and resources to help MSMEs transition to digital operations

²⁴ <https://www.dti.gov.ph/negosyo/shared-service-facilities/>

	<p>3. Filipinnovation Awards, which provides grants, mentoring, and opportunities for market exposure for startups and innovators with solutions ready for early-stage commercialization</p> <ul style="list-style-type: none"> • Financial Technology (FinTech). This includes digital payments, lending, and remittances, supporting informal workers and small entrepreneurs in transitioning to the formal economy²⁵. The Philippines' central bank adopts digital payments through QR Ph, an economy-level standard for digital payments, which allows for interoperable and convenient transactions; and e-wallets like GCash, GrabPay, and Pay Maya for online shopping and cashless payments in public markets and local transport hubs. • Regional Development Initiatives - Visayas and other regions. The Digital Cities 2025 Initiative provides digital literacy training in rural provinces, encouraging participation in the IT-BPO sector and other digital industries²⁶.
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<ul style="list-style-type: none"> • Barangay Micro Business Enterprises (BMBEs) Act 2002 (RA 9178). This streamlines regulation for micro-enterprises and provides income tax and minimum wage requirements exemptions for small businesses. It aims to integrate formal enterprises into the mainstream economy by providing easier access to credit and technical assistance. In 2024, a total of 6,805 BMBEs were registered in Central Luzon through a free, streamlined online system²⁷. • The Philippine Business Hub serves as a centralized portal process across business lifecycle, from registration to closure, including changes to business purpose, or operations, making it easier for MSMEs to enter and re-enter the market.²⁸ Meanwhile, the Philippine Business Regulation Information System provides accessible and up-to-date information on government-issued business regulations.²⁹ • eGov PH App. Developed by the Department of Information and Communications Technology (DICT), the eGov PH App is a unified mobile platform that streamlines transactions between the government and citizens and supports business

²⁵ ASEAN Briefing. (2023). Investment Hotspots in the Philippines: Promising Sectors to Watch (<https://www.aseanbriefing.com/news/investment-hotspots-in-the-philippines-promising-sectors-to-watch/>. Accessed on 3 April 2025)

²⁶ Center for Strategic and International Studies (2024). U.S. Investment in the Philippines: The Next Era of Economic Partnership & Opportunity (<https://features.csis.org/us-philippines-economic-partnership/>. Accessed on 4 April 2025)

²⁷ Carbungco, M. (2025). DTI Central Luzon records 6,805 BMBE registrations in 2024. (<https://pia.gov.ph/dti-central-luzon-records-6805-bmbe-registrations-in-2024/> Accessed on 04 April 2025)

²⁸ <https://business.gov.ph/home>

²⁹ <https://regulations.gov.ph/>

	<p>formalization through digital services.³⁰ It includes the eBusiness platform for managing registration, compliance, and operations. Additionally, the eCommerce platform expands market access for MSMEs, while promoting locally made products.³¹</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<ul style="list-style-type: none"> • Philippine Development Plan (PDP) 2023-2028: The PDP serves as the Philippines' medium-term development roadmap for economic and social transformation, focusing on job creation and poverty reduction. It contains strategies for the formalization of informal workers. These strategies include digitalization that streamlines government processes and improves services, reducing barriers for workers and businesses to enter the formal economy. The PDP promotes the growth and expansion of local firms, especially MSMEs, by helping them expand domestically and access global markets through trade facilitation, simplified and digitalized regulatory processes, and capacity-building.³² It also promotes competition and regulatory efficiency³³. These strategies are further operationalized through sectoral and agency plans such as the National Policy on Regulatory Management System (NPRMS), mandating government offices to submit an Annual Regulatory Plan to the Anti-Red Tape Authority to ensure effective and efficient regulatory procedures. • E-Government Masterplan 2022: This aims to improve organizational and inter-governmental coordination, while addressing information and communications technology (ICT) capacity gaps to streamline and enhance public service delivery. By reducing bureaucratic barriers, it supports businesses and expands access to government services. • Trabaho Para sa Bayan (TPB) Act: The TPB Act, which mandates the formulation of the Philippines' masterplan on employment generation and recovery, identified the following strategies towards increasing participation of ISW in the formal economy: <ol style="list-style-type: none"> 1. Enable ISWs through the help of LGUs, by offering dedicated spaces or access to markets where they can sell goods to sustain and increase earnings; 2. Re-skilling and upskilling of ISWs in anticipation of increased demand for technical by providing mentorship, access to financial services, and training to leverage digital platforms; and 3. Progressive formalization of ISWs by reinforcing LGUs to adopt an incentivized permit and taxation system, creating a sustainable pathway for ISWs to access resources and integrate into the formal economy. • Strategic and Development Plans. These are key plans that the government agencies formulated to further integrate the creative industry, agricultural workers, and MSMEs into the formal economy. These include the National One Town, One

³⁰ Cabanayan-Carbonell (December 23, 2024). "eGov PH Super App: Skip the lines, access government services online". Retrieved from: https://pia.gov.ph/egov-ph-super-app-skip-the-lines-access-government-services-online/?utm_source=chatgpt.com

³¹ DICT. "eGovernment Digital Platforms". Retrieved from: <https://dict.gov.ph/egov-digital-platforms>

³² PDP 2023-2028 Chapter 9 (Promote Trade and Investments)

³³ PDP 2023-2028 Chapter 10 (Promote competition and improve regulatory efficiency)

	<p>Product (OTOP) Strategic Plan, Philippine Creative Industries Development Plan, and Three-Year Agro-Logistics Plan.</p> <ul style="list-style-type: none"> • Small Business Participation in Global Trade. This supports small firms with export potential by removing trade barriers, offering targeted assistance, and introducing digital platforms to improve market access. Efforts include customs procedures digitization, capacity-building programs, and shared service facilities. Platforms like PHX Source and the FTA Information Portal give firms access to export listings and trade resources. These initiatives, along with improved internet connectivity and streamlined processes, aim to increase visibility and help small businesses tap into international markets. • Mindanao Agenda 2023-2028 (Bangsamoro government). This seeks to gradually transition and incorporate an informal system within the formal trade system through the advancement of global partnerships and trade within the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA)³⁴. Efforts will include enhancing border security, participating in trade promotion activities to showcase Mindanao products, and developing the Philippines' halal industry.³⁵
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<ul style="list-style-type: none"> • The Philippines would benefit from regional cooperation and multilateral fora on good practices in streamlining and modernizing regulations to encourage more business entry into the formal economy, particularly for ICT startups³⁶, businesses operating in the digital platform, and businesses that harness AI. As the rise of digital technologies has created new challenges for competition enforcement and regulation, technical assistance from APEC economies, which are more advanced in terms of adoption of regulatory frameworks and operational processes, would be especially beneficial. • Collaboration on workforce upskilling, labor formalization, financial inclusion, and regulatory reforms through APEC's knowledge-sharing platforms can enhance participation in the formal economy. APEC's initiatives on digital transformation and trade facilitation could further help streamline business registration, enhance MSME competitiveness, and improve access to regional and global markets, fostering formal economy. Moreover, APEC can provide member economies with platforms for capacity building through the APEC Capacity Building Network Roadmap, which focuses on skills development, human resource management, and vocational training.

³⁴ <https://minda.gov.ph/planning/mindanao-agenda-2023-2028>

³⁵ <https://www.minda.gov.ph/news/1015-bangsamoro-formalizes-irr-for-barter-trading>

³⁶ ICT is one of the sectors which saw a significant decline in MSME growth from 2018-2022 (57% decline).

THE RUSSIAN FEDERATION

1.	Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
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2.	Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?
	<p>Introduction of the self-employed status</p> <p>A special tax regime “Tax on Professional (earned) Income” was introduced in 2018 (Federal Law No. 422-FZ) in order to ensure favorable tax conditions and a minimum fiscal burden for individuals receiving income from activities without employment.</p> <p>The experiment is conducted from 1 January 2019 to 31 December 2028 to provide an enabling environment for self-employed citizens, who provide services to individuals for personal, household or other similar needs but do not obtain a status of individual entrepreneurs; and individual entrepreneurs who do not hire employees.</p> <p>While being voluntary, the special tax regime offers citizens more favorable conditions of taxation as well as the exclusion of the obligation for self-employed citizens to pay mandatory pension insurance contributions. It primarily seeks to provide citizens with an opportunity to conduct their activities in a legal manner by formalizing it as the self-employed.</p> <p>At the same time, self-employed persons have been granted the right to enter into voluntary legal relations under the mandatory pension insurance regime, on condition that self-employed persons pay mandatory insurance contributions established by the Federal Law of December 15, 2001 No. 167-FZ “On Mandatory Pension Insurance in the Russian Federation”.</p>
3.	Connecting with groups with untapped economic potential: Considering your economy's engagement of groups with untapped economic potential: <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>1. Educational programs</p> <p>The implementation of educational programs allows facilitating economic and social conditions for active participation of citizens in the life of society, ensuring protection of their economic rights and interests. Moreover, vocational training and retraining activities make it possible to expand employment opportunities for citizens, shorten the job search period and ensure the highest quality employment, increasing their competitiveness and professional mobility.</p>

In 2025, measures on professional training and additional professional education of certain categories of citizens are carried out under **the National Project “Personnel”**.

In order to provide the economy with personnel possessing appropriate qualifications, vocational training and additional vocational education programs are organized in accordance with the list of professions in demand in the labor market approved by the Government of the Russian Federation.

Federal operators together with the employment services foster participation in training activities. Federal operators have a regional network of branches and the authority of concluding cooperation agreements with local educational organizations. In 2025, these educational organizations are: National Research Tomsk State University; Institution of Professional Education Development; Russian Presidential Academy of National Economy and Public Administration; All-Russian Research Institute of Labor of the Ministry of Labor and Social Protection of the Russian Federation.

Within the framework of the National Project “Personnel”, more than **100,000 people** annually are expected to receive training in the Russian Federation in **2025-2027**.

2. Hiring incentives

In order to support employers in hiring personnel and increase the employment rate of citizens who applied to the employment service, the Russian government implements measures to stimulate hiring of certain categories of citizens, for instance, single parents, parents with many children and people with disabilities. Among such measures is the **partial reimbursement of the costs for the labor of hired employees to employers**.

The **recruitment incentive program** is aimed at increasing the employment rate of citizens who apply to the employment service and ensuring stable employment in the medium and long term.

To receive state support, the employer has to register on the unified digital platform in the sphere of employment and labor relations **“Work in Russia”** and send an application with a list of vacant jobs, for which it is planned to hire employees, to employment service bodies.

The employment service bodies assist the employer in selecting necessary workers from among certain categories of citizens. Payments to employers are made by the **Pension and Social Insurance Fund of the Russian Federation** after the first, third and sixth months of employment.

In **2025-2027**, it is planned to employ **about 12,000 people** within the framework of the measure to stimulate the hiring of certain categories of citizens.

Best practices

Digital Tax Regime for the Self-Employed

The Federal Tax Service of Russia (FTS) has established a simple and convenient tax regime for the self-employed. The FTS outlines the intention of the project launched in 2019 as a technology-based solution with the goal of easy registration and seamless compliance.

The digital tax regime for the self-employed means that all interactions with the tax authorities, e.g., starting and terminating a business, keeping income records, generating receipts, paying professional income tax, and other online interactions with a tax authority can be done through a mobile application.

My Tax mobile application is a software developed by the FTS and used by individuals through computer devices. The mobile application allows a self-employed to register with tax administration in just a few minutes using a mobile device, and keep income records as well as pay professional income tax.

There is also **a limit on the amount of income for the purposes of the regime**. Professional income tax is applied only if the annual total income does not exceed RUB 2.4 million (USD 29 thousand).

Integration with the banks and aggregator digital platforms: A key innovation of the project is an open API solution developed by the FTS that enables integration of the App's features with the digital marketplace, aggregator platforms and banks. The API allows banks and digital platforms to employ My Tax app capabilities in their applications. Currently, **96 companies** (Yandex Taxi, Sberbank of Russia, etc.) are connected to API, and 48% of the self-employed conduct business through standalone software products.

Establishment of the legal status remotely and in real-time: The digital tax regime for the self-employed means that individuals can start a business from anywhere, at any time, and with minimal effort. It takes a few minutes to register through the My Tax app.

Preferential provisions for the self-employed: Under the digital tax regime for the self-employed, the tax base is a total amount of the sales revenue, which makes it simple and convenient to assess.

Tax rates are the following:

1. income received by the self-employed from the sale of goods (works, services, property rights) to individuals, is taxed at a rate of 4%;
2. income received by the self-employed from the sale of goods (works, services, property rights) to individual entrepreneurs and companies, is taxed at a rate of 6%.

The law stipulating the digital tax regime for the self-employed provides for legal stability. The tax regime shall not be changed in the 10-year period upon implementation. The tax rates will also stay the same during this period.

No reporting and no online cash registers required: The use of cash registers is not required for the self-employed. The receipts are generated and sent to the customers directly through the My Tax app.

Results

Currently, **more than 13 million individuals** are registered as self-employed under the digital tax regime, which exceeds expectations before launching the project. Notably, **more than half of them have not previously declared their income at all**. The introduction of the digital tax regime enabled us to look ahead and move forward on the following:

- establishment of a predictable and positive investment environment for the development of gig economy;

- evolution of legislation, revision of existing restrictions, elimination of barriers;
- increase of the SMEs' digitalization and as a result – increase of transparency.

Automated Simplified Tax Regime for Small and Medium Enterprises

The purpose of the regime is to allow SMEs to devote as much of their time to business as possible, while a major part of tax administration is to be carried out by the FTS. The idea behind the Automated Simplified Tax Regime is the centralized data approach ensuring that tax administration itself can capture as many business transactions from the source as possible in order to determine the right amount of tax to be paid with minimum information from taxpayers.

FTS has started piloting newly developed the Automated Simplified Tax Regime since 1 July 2022, in Moscow, Moscow region, Kaluga region and Republic of Tatarstan.

The regime stipulates the following:

1. Tax and social security contributions reporting is almost eliminated.
2. Tax is automatically assessed for the transactions settled through OCR system or the authorized bank accounts. On-site tax audits are no longer needed.
3. Replacement of the social security contributions with the income tax rate charged at a higher rate.
4. Cooperating with banks as the source of transactional data.

Besides, the banks have started to work as the “agent” for both taxpayers and the FTS, which include:

- Mapping banking transactions for tax assessment;
- Acting as the agent withholding personal income tax on salary payments to SMEs' employees;
- Forwarding to the FTS information on income paid by SMEs to the employees, deductions, and personal income tax.

Currently, more than 10 banks are authorized to partner with the FTS under Automated Simplified Tax Regime.

5. Customer-centric model of interactions between the FTS and taxpayers, which is ensured by conducting regular surveys of the user experience and the taxpayers' needs.
6. Taxpayers under the Automated Simplified Tax Regime can easily obtain bank credits due to their high transparency to the banks and automation of information exchange with the FTS, which ensures the completeness and reliability of information about the taxpayer.

Parameters of the Automated Simplified Tax Regime

Legal entities and individual entrepreneurs are eligible for the Automated Simplified Tax Regime in case the following criteria are met:

- Number of employees does not exceed 5 persons;
- Annual income does not exceed RUB 60 million (USD 731 thousand);
- Residual amount of the owned fixed assets do not exceed RUB 150 million (USD 1,83 million);
- Keeping bank accounts at the authorized banks;
- Non-cash form of salary payments.

The taxpayer could opt for assessing tax base as “gross income” or “net income” (gross income less deductible income-related expenses). Tax rate depends on the

	<p>chosen option: gross income is taxed at 8% tax rate, net income is taxed at 20% tax rate.</p> <p>Results</p> <p>Currently, more than 10,000 taxpayers have joined this tax regime with total income of more than RUB 10 billion rubles (USD 122 million).</p> <p>The results of the conducted taxpayers' survey demonstrate that the main advantages of the Automated Simplified Tax Regime are no need to submit tax reports (24.8%), no need to pay insurance premiums (22.3%) and automatic tax calculation (22.5%). As disadvantages, taxpayers indicated high tax rates (50.3%), as well as thresholds on the number of employees (15.3%) and annual income (15.2%).</p> <p>Further, we are going to scale the pilot project and extend it to the broad range of SMEs.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
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5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
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6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
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SINGAPORE

1.	Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
	<p>In reviewing barriers and challenges, it is important to note that Singapore does not possess a sizeable informal economy, and currently does not experience major barriers to formalisation. However, some challenges that businesses may face include initial capital requirements, unfamiliarity with regulatory procedures, and administrative or compliance costs.</p> <p>Some factors contributing to businesses' initial capital requirements when transitioning to the formal economy may include company incorporation and legal documentation fees, working capital, mandatory employer costs and physical office or infrastructure needs.</p> <p>First time business owners and entrepreneurs may also be unfamiliar with regulatory processes pertaining to registration, licensing and standard procedures.</p> <p>Lastly, those looking to transition from the informal to formal economy may not be used to the practice of maintaining proper documentation for administrative and compliance purposes. The upkeep of proper payroll systems, employment records and regular filing practices, amongst others, may also incur additional costs.</p>
2.	Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?
	<p>Singapore promotes formal economic participation through a combination of financial incentives and support, digital transformation initiatives, and improving the efficiency of government-business interactions such as regulatory procedures by streamlining processes and ensuring that relevant information is readily available.</p> <p>Singapore offers businesses a comprehensive catalog of financial support initiatives and benefits when transitioning to the formal economy. Financial assistance in the form of grants and loans are administered primarily by Enterprise Singapore (EnterpriseSG), through initiatives such as the Enterprise Financing Scheme or startup funding and mentorship programmes.³⁷ In addition to the above, the government also offers benefits such as tax exemption and relief schemes to support new startup companies.³⁸ Business owners can also gain access to business advisory support, through a network of SME Centres, where they can receive free business diagnosis and advisory services. These centres are staffed with experienced business advisors</p>

³⁷ The Enterprise Financing Scheme provides financial support for businesses in the categories of project loans, SME fixed assets, SME working capital, sustainable solutions, venture debt, and more. Under Startup SG, businesses can apply for the Startup SG Accelerator, Equity, Founder, or Tech programmes depending on their desired area of support.

³⁸ Starting 2020, startup companies in Singapore have been offered tax exemptions on the first \$200,000 of their chargeable income for the first three consecutive years of assessment, as per IRAS Corporate Income Tax Rate, Rebates & Tax Exemption Schemes.

	<p>who work closely with entrepreneurs to develop robust business plans and growth strategies tailored to their specific needs. The advisors also help connect businesses to relevant government schemes and support mechanisms, while industry specialists provide targeted guidance for sector-specific challenges. This integrated support system ensures that entrepreneurs, especially those new to business ownership, have access to professional expertise and practical assistance as they navigate the early stages of their business journey.</p> <p>The digitalisation of businesses and improved regulatory processes go hand in hand, through the implementation of Unique Entity Numbers (UENs) for registered enterprises, the consolidation of government services into one GoBusiness portal, and initiatives such as SMEs Go Digital and the Productivity Solutions Grant for SMEs looking to improve operationalisation and adopt digital solutions. Upon formal registration, businesses are issued with a UEN, which serves as their standard identification number and is to be used for transactions with government agencies in applying for licenses and permits, statutory and tax filings, and applications for business development support schemes. Once businesses are in possession of a UEN, they are also able to access the PayNow Corporate scheme, a financial tool which enables companies to make and receive payments instantly with their UEN, providing savings on transaction fees, ensuring secure payments, and a more seamless transaction process.³⁹ This seamless experience is further enhanced through the GoBusiness portal, which serves as a one stop shop providing official guidance for local businesses through e-Advisors and scheme matching, interactions between businesses and government agencies in applying for registration, licensing and permits, skills development, and government assistance schemes, and general intellectual property or regulatory requirement guidelines.⁴⁰</p> <p>Singapore's strict regulatory and enforcement approach in terms of labour and social security regulations have helped to ensure a strong emphasis on compliance, which in turn contributes to the small size of Singapore's informal sector. Similarly, the development of straightforward and efficient business registration processes allows businesses to handle multiple regulatory requirements simultaneously, and further incentivises businesses to operate formally rather than informally.</p>
3.	<p><u>Connecting with groups with untapped economic potential:</u> Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>Singapore targets various groups with untapped economic potential. The Retirement and Re-employment Act (RRA) requires employers to offer re-employment to eligible employees who have reached the minimum retirement age (currently 63), up to the re-employment age (68). This enables older workers to continue working longer if they wish to. The retirement and re-employment ages will be raised to 65 and 70 respectively by 2030. Through the Senior Employment Credit and Enabling Employment Credit schemes administered by the Inland Revenue Authority of Singapore (IRAS), the government provides wage offsets to help employers hire older</p>

³⁹ The Paynow Corporate scheme is operated in conjunction with DBS Singapore, with more information available here ([DBS PayNow Corporate for FAST and GIRO Payments](#)).

⁴⁰ The GoBusiness portal can be accessed at www.gobusiness.gov.sg.

	<p>workers aged 60 and above and persons with disabilities. SG Enable also provides job placement services for persons with disabilities and financial support for employers looking to improve the accessibility of their workplace.⁴¹ Caregivers and other persons that may require flexible working arrangements (FWAs) benefit from the Tripartite Guidelines on Flexible Work Arrangement Requests which took effect in December 2024. These Guidelines provide employers and employees with clear guidance on navigating discussions about FWAs, so that mutually beneficial arrangements can be found. Together, these initiatives encourage employers to engage groups with untapped economic potential and makes the formal economic sector more accessible for all.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-, medium-, and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>Singapore's approach to increasing formal economic participation centers on reducing operational barriers, improving business-to-government services and ease of administrative processes, in conjunction with both general and sector-specific support schemes that lay the foundation for quality growth and sustainable development that will allow businesses entering the formal economy to grow and thrive. Successful initiatives include the previously mentioned Enterprise Financing Scheme, Startup SG programmes, tax rebates and exemptions, the implementation of UENs and the GoBusiness portal. In carrying out these initiatives, Singapore has maintained a strong emphasis on inter-agency coordination and timely review of programmes to ensure that they are relevant and effective in addressing business needs.</p> <p>Over the last few years, Singapore has seen an increase in the formation of new business entities annually, across various different industries such as wholesale and retail trade, information and communications, professional services, and more.⁴² Correspondingly, SME value and employment in Singapore has also been on the increase.⁴³ Annual firm-level data has shown that the take up of SMEs Go Digital grants have led to an increase in firms' productivity and revenue of up to 3.0% and 2.2% respectively.⁴⁴</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>To increase participation in the formal economy, Singapore's short-term plans focus on offering financial relief and alleviating initial capital requirements, and employer</p>

⁴¹ SG Enable provides advisory and consultancy services such as the Open Door Programme (ODP), Job Placement & Support services, and financial support through the Inclusive Business Programme, Employment Development Grant, and ODP Job Redesign Grant.

⁴² The formation of business entities in Singapore has increased from 64,305 in 2022 to 71,639 in 2024, as per the Accounting and Corporate Regulatory Authority (ACRA).

⁴³ SME nominal value and employment has increased from 287.4 billion in 2022 to 313.4 billion in 2024, and 2.36 million in 2022 to 2.5 million in 2024 respectively, as per the Singapore Department of Statistics.

⁴⁴ As per the impact evaluation of SMEs Go Digital Programme, released May 2023.

	<p>and regulatory costs. In the medium-term, Singapore is actively streamlining businesses processes and business-to-government interactions, in making registration and regulatory procedures as straightforward, seamless, and convenient for businesses as possible. Additionally, digital transformation and productivity solution schemes allow businesses to better improve their operational processes through the adoption of digital systems and expert guidance, providing them with the foundation to achieve long-term success. The government and its relevant agencies will also actively review business needs, cost structures, and initiatives currently in existence to ensure their continued relevance and effectiveness such that necessary adjustments can be made in a timely manner.</p>
6.	<p><u>Regional cooperation:</u> How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>APEC can support economies in advancing participation in the formal economy through policy support, knowledge sharing, capacity building, and greater opportunities for international visibility and collaboration. Regional cooperation and multilateral fora allows for the identification of common challenges and distilling of best practices through shared expertise, leading to greater knowledge and more effective strategies for increasing formal economic participation.</p> <p>Singapore would be happy to share more information on our digital transformation strategies, business support initiatives, and regulatory streamlining, alongside various other initiatives aimed at increasing formal economic participation. Some regional initiatives that can be leveraged include the improvement of international interoperability of businesses. Improved interoperability would allow for greater reach and exposure to international markets for businesses.</p>

CHINESE TAIPEI

1.	<p>Barriers and challenges: Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?</p>
	<p>1. Taxation registration is a prerequisite for participating in the formal economy. However, the unawareness of the importance or benefits of entering the formal economy as well as derivative administrative procedures deter some workers and entrepreneurs to participate in the formal economy. Besides, although the tax rates vary depending on revenues, the scale and form of a business—such as vendors, sole proprietorships, and corporations—the tax obligations increase the operational costs, and subject micro and small enterprises to tax audits. In addition, the transition to the formal economy brings obligations such as being subject to oversight by regulatory authorities and complying with environmental and labor regulations. Legal compliance, however, may be hindered by the lack of relevant knowledge and expertise, which increases both time and financial costs, as well as operational burdens.</p> <p>2. Some potential barriers to workers' participation in the formal economy include limited employment opportunities for Indigenous peoples in tribal areas due to regional industrial development, inadequate public transportation, and a scarcity of job opportunities.</p> <p>3. Gender stereotypes and the unequal distribution of domestic work between men and women exacerbate the economic empowerment gap for women. Furthermore, gender inequality contributes to gender-based violence, which disproportionately harms women and hinders their economic participation potential. For example, women who bear household and caregiving responsibilities due to traditional gender roles may choose informal economic activities such as part-time work, remote work, or online entrepreneurship.</p>
2.	<p>Policies and initiatives: Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?</p>
	<p>1. According to Chinese Taipei's Employment Service Act and the Implementation Guidelines for Employment Promotion Subsidies, public employment service agencies utilize employment promotion subsidies and incentive measures to assist specific groups and disadvantaged unemployed individuals in accessing vocational training, job matching to participate in the formal economy.</p> <p>2. Chinese Taipei has implemented measures to streamline business registration and reduce entry barriers, including the development of an online platform that simplifies the registration process for companies and businesses.</p> <p>3. To further incentivize business registration, targeted financial support and capacity-building programs are provided to encourage entrepreneurship. By completing tax registration, workers and entrepreneurs can gain access to government resources, fostering a more inclusive and supportive business environment.</p>

3.	<p>Connecting with groups with untapped economic potential: Considering your economy's engagement of groups with untapped economic potential:</p> <ul style="list-style-type: none"> - How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? - How do you assess their needs? Do you utilize any methodology in this process?
	<p>1.To address employment barriers for Indigenous peoples, our central government subsidizes local governments with an Indigenous population exceeding 20,000 people to establish Indigenous Employment Service Stations. This initiative considers the differing employment needs and resource availability between Indigenous communities in tribal and metropolitan areas, providing culturally appropriate employment services through these stations.</p> <p>2.For women who leave the workforce due to marriage and parenting responsibilities, our central government has established the "Women's Reemployment Program," integrating cross-departmental resources and incentive measures to encourage employers to create more inclusive and supportive workplaces, thereby increasing women's participation in the workforce. During the program planning process, feedback is gathered from frontline service personnel, experts, scholars, and service users to continuously review and improve the program.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>
	<p>1.Chinese Taipei provides financial support to aspiring entrepreneurs, encouraging their transition to the formal economy. For example, the Youth Entrepreneurship and Startup Fund Loan offers a favorable credit guarantee ratio, and includes the option for applicants to participate in entrepreneurship training programs, further incentivizing formalization.</p> <p>2.As the COVID-19 pandemic spread globally, one of the stimulus measures introduced was the issuance of digital vouchers to boost consumer spending, promote digital payments, and support the digital transformation of small businesses. To participate in the program, businesses were required to be officially registered before they could use designated mobile payment services and apply for subsidies under the government's digital stimulus voucher initiative.</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
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6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from</p>

	collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?
	<p>With the development of digital technologies, the public sector is expected to adopt fintech which is expected to significantly reduce the cost of identifying informal economic activities. However, since the nature of informal economies varies across different economies, EC and whole APEC can promote cross-forum collaboration, such as through the Small and Medium Enterprise Working Group (SMEWG), the Policy Partnership on Science, Technology and Innovation (PPSTI), or the Senior Finance Officials' Meeting (SFOM), to foster financial technology innovation and share best practices in integrating such technologies into public sector services.</p>

THAILAND

1.	<u>Barriers and challenges:</u> Considering your economy's current situation, what are three to five major barriers and challenges to participation in the formal economy for some workers and entrepreneurs? How do these barriers differ across sectors?
	<p>Thailand faces several key barriers and persistent structural challenges to increasing participation in the formal economy among workers and entrepreneurs. First, income instability remains a major challenge for informal workers, making it difficult to consistently contribute to social security schemes. Many are not legally registered, rendering them invisible to be identified and limiting access to welfare and assistance. This is compounded by the lack of a comprehensive, up-to-date database on informal workers, which impedes policy planning, budget allocation, and tailored support delivery. Limited awareness of rights and available services further prevents informal workers from accessing government protections and benefits.</p> <p>Sector-specific legislation also poses challenges. While laws such as the Home-Based Workers Protection Act (2010) and the Ministerial Regulation on Labor Protection in Agricultural Work B.E. 2557 (2014) offer limited coverage, they do not address the full diversity of informal work. Also, platform and subcontract workers often operate under unclear arrangements and intermediaries, leaving them without formal recognition or access to legal protections and social security.</p> <p>For elder persons, demographic shifts present another structural issue. Thailand has been an aged society since 2005, and by 2033 it is projected to become a super-aged society, with people aged 60+ exceeding 28% of the population. Falling birth rates and a shrinking workforce strain the Thailand's capacity to support the elderly. In 2023, the support ratio stood at just 3.22 working-age people per older adult, while social isolation among older persons continues to grow.</p> <p>For informal workers, they are often lack recognition of prior learning, social protection, and clear pathways to formal employment, making the transition difficult despite efforts to expand vocational and technical training programs. Although agriculture is considered the backbone of the economy and remains a key livelihood for rural communities, farmers are still categorised as informal workers, where access to structured skills training is limited</p> <p>Meanwhile, entrepreneurs and MSMEs face bureaucratic hurdles, complex regulatory requirements, and a lack of support for worker upskilling. Many SMEs struggle with limited access to finance, especially small-scale farmers and micro-businesses with irregular income or insufficient collateral. Additionally, deficits in digital literacy and financial knowledge hinder their ability to comply with formal processes. Fear of audits, tax obligations, and unclear understanding of tax incentives discourage registration, while bureaucratic complexity and documentation requirements further deter formalization.</p>
2.	<u>Policies and initiatives:</u> Outline any policies or initiatives your economy has implemented to promote participation in the formal economy? What impact do labor and social security regulation have on formal employment in your economy? What impact do business processes and administration have on formalising business practices?

Thailand promotes formal economic participation through a comprehensive framework of strategies, regulatory reforms, labor and social security regulations, skills development initiatives, and streamlined business processes.

National Strategies and Labor Policies

Thailand's *National Strategy (2018–2037)* and its *Master Plan (2023–2037)* emphasize expanding social security coverage and inclusive welfare for all workers, including informal and older workers, to ensure inclusive access to protection mechanisms. The *13th National Economic and Social Development Plan (2023–2027)* under Milestone 9 focuses on enhancing the social security system to meet the needs of informal workers by improving contribution schemes and benefits to offer more diverse and flexible options. It also seeks to amend labor laws to extend protection to new employment models such as gig and platform workers.

The *Social Security Act* allows voluntary enrollment for informal workers, ensuring access to protection. Additionally, the *Worker's Compensation Act* and related labor regulations promote formal coverage but are acknowledged to require simplification for easier access.

Moreover, the Ministry of Labour has proposed the *Draft Act on the Promotion and Protection of Independent Workers*, which is currently under Cabinet consideration. It aims to legally recognize these workers, ensuring their rights to registration, fair working conditions, skill development, and access to social protection, including the establishment of a fund. In preparation, the Ministry of Labour has developed an online registration system (INDE-REGIS) to support implementation and service delivery.

Another initiative—“*One Subdistrict, One Independent Occupation Group*”—supports 401 independent professional groups with training, market access, and capacity building through partnerships with local and economy-level agencies.

Skills Development and Workforce Integration

Skill development is a key pillar of Thailand's formalization efforts. The Department of Skill Development has introduced the 5-Year Skill Development Plan (2023–2027), which includes targeted strategies for informal workers. For the 2025 fiscal year, the department aims to reskill 16,000 informal workers through tailored training programs that support productivity and transition into formal employment. Moreover, the promotion of skills standards plays a vital role; individuals holding certified credentials are entitled to higher minimum wages based on their proficiency levels, as per the Official Announcement of the Wage Committee. This system helps reduce labor market information asymmetries, increases wage transparency, and supports the integration of certified workers into formal employment and value chains.

Business Formalization and Administrative Reform

To ease business formalization and support small enterprises, the Office of SMEs Promotion (OSMEP) has introduced digital tools such as a Single Sign-On (SSO) platform and the SME Connex mobile application. These tools enable SMEs to access government services, training programs, business development opportunities, financial consultations, and market access more efficiently. By leveraging Digital ID, SMEs can engage with government agencies seamlessly, reducing administrative burden and fostering greater compliance with formal business regulations. These reforms collectively enhance the enabling environment for workers and businesses to transition into the formal economy.

3.	<p>Connecting with groups with untapped economic potential: Considering your economy’s engagement of groups with untapped economic potential: How does your economy engage with certain group with untapped economic potential mentioned above to increase their participation in the formal economy? How do you assess their needs? Do you utilize any methodology in this process?</p>
	<p>Engaging Groups with Untapped Economic Potential</p> <p>Thailand engages groups with untapped economic potential—particularly NEETs (Youth Not in Employment, Education, or Training), older persons, women, and informal workers—through targeted policies and inter-agency collaboration. These findings guide services such as mobile employment units, vocational training, and job-matching programs.</p> <p>For NEETs (approximately 1.2 million individuals), the <i>Thailand Zero Dropout (TZD)</i> policy aims to reintegrate children and youth who have dropped out of the education system into formal education and training, ensuring they develop skills for employment. This multi-agency effort to provide tailored support and increase their workforce participation has recently been incorporated into the Ministry of Labour’s 5-Year Action Plan (2023–2027) which sets goals to engage 100,000 NEETs in training or employment by 2027 and reduce the NEET rate by 0.5% annually.</p> <p>For older persons (around 13 million), government programs focus on job placement, skills development, and economic inclusion. The Department of Employment facilitates job matching for older workers, while the Department of Skill Development offers tailored training programs. The Ministry of Social Development and Human Security also promotes lifelong learning and economic participation through the “5x5 Policy,” which includes “Schools for Older Adults” and career development centers to support skill enhancement and workforce re-entry to expanding employment opportunities and enabling older adults to contribute to the economy for a longer period.</p> <p>Additionally, OSMEP supports women, elderly entrepreneurs, and Smart Farmers by enhancing access to finance, capacity-building programs, and market opportunities. The agency recently established a formal definition of women-owned SMEs (effective February 2025) to streamline support and benefit allocation. Its SME Provincial Champions platform provides mentorship and peer learning, helping new entrepreneurs transition into the formal economy.</p> <p>Needs Assessment and Methodologies</p> <p>Thailand assesses the needs of these groups using various data and tools as well as through civil registration data, provincial labor office input, surveys, and stakeholder consultations. Out-of-school youth are identified and supported through an integrated case management system, especially with the re-engagement efforts. For older persons, the National Statistical Office conducts triennial surveys covering demographics, economic status, health, and caregiving, which inform policy and program design.</p>
4.	<p>Best practices: What experiences can you share with other economies in increasing participation in the formal economy? What policies, programs, resources, or practices have you undertaken that you assess have been effective? What do you assess has not been effective and what learnings would you share with other economies looking to promote participation in the formal economy? How is success measured by your economy? What impacts, in the short-; medium-; and/or long-term, has your economy experienced because of these reforms? What innovative solutions are you employing and how are they working?</p>

	<p>Thailand has implemented several targeted policies to increase participation in the formal economy, particularly for informal workers, the elderly, and SMEs.</p> <p>For informal workers, sustained budget allocations have underpinned the Department of Skill Development's strategy under the 5-Year Skill Development Plan (2023–2027), which prioritizes informal sector inclusion. Through inter-ministerial coordination and public-private partnerships, the government aligns training content and skill standards with industry needs. However, short-duration training programs—typically around 18 hours—offered to vulnerable groups such as persons with disabilities, the elderly, and soon to be released inmates often limit skill development to low-barrier and informal-sector occupations like basic culinary techniques or appliance repair. To overcome these limitations, future programs must extend duration, build learning pathways, and provide support mechanisms such as mentorship, transport allowances, and flexible scheduling. Apart from this, the Department of Labour Protection and Welfare also promotes labor protection via knowledge-sharing initiatives, including workshops on implementing ASEAN CSR guidelines, in collaboration with regional and international partners.</p> <p>For the elderly, Thailand has launched several innovative community-based and entrepreneurial initiatives. Schools for older adults and social welfare development centers serve as community anchors for inclusion. Thailand also launched a program for community-based caregivers and rights advocates for elderly to promote healthy aging. Also, Thailand in collaboration with the private sector has implemented programs to support senior entrepreneurship through product sales, training, and events such as the “Happy Senior Market,” benefiting hundreds of elderly participants. The Elderly Fund provides interest-free loans to support income-generating activities, with over 4,200 individual loans disbursed in 2024 and 1,900 loans in 2025. The Elderly Fund has developed an online loan application service to facilitate convenience for older persons user, allowing them to track their application status through various channels.</p> <p>For SMEs, the SME One ID initiative—led by OSMEP—has proven an effective digital tool for formalization. By linking MSME data with other government databases, the platform enables access to support services across multiple agencies. As of 2023, over 600,000 SMEs had registered, highlighting the initiative's success in promoting formal economic participation, particularly among micro-entrepreneurs in the informal and grassroots sectors.</p> <p>Thailand measures success through formalization rates, program uptake, and access to public services and financing. While key initiatives have shown promising short- and medium-term outcomes, further improvements are needed in training depth and systemic integration to drive long-term impact. Sharing these experiences can help other economies refine their approaches to inclusion and formalization.</p>
5.	<p>Action plans: Considering the policy gaps, barriers, and challenges your economy has, if any, in increasing participation in the formal economy, what are your short and medium-term plans to address them? What resources are you planning to utilize to create such action plans?</p>
	<p>Thailand continues to face challenges in expanding participation in the formal economy, particularly among informal workers and SMEs. Barriers such as limited awareness of registration procedures, insufficient collateral, complex bureaucracy, and lack of reliable credit information which limits access to formal financial institutions (OSMEP, 2023).</p>

	<p>In the short term, Thailand plans to accelerate labor law reforms to better protect informal workers and align with working conditions, vulnerabilities, and protection needs of informal workers. Awareness campaigns, led by local governments and community networks, will be strengthened to inform informal workers of their rights, benefits, and available services of formalisation. Integrated digital platforms will also simplify registration and service access. Also, rapid upskilling programs will target informal workers, NEETs, the elderly, and persons with disabilities, supported by local job matching and coaching services. For SMEs, the 5th SME Promotion Plan (2023–2027) focuses on incentivizing formalization, promoting digital adoption, and improving access to finance through innovative credit scoring models. These short-term efforts aim to support SME growth and integration into the formal economy.</p> <p>In the medium term, Thailand will establish a comprehensive and up-to-date database of informal workers to inform policy and budget planning. The social security system will be reviewed and expanded to better serve diverse needs and circumstances of informal workers. Regulatory frameworks will also be updated to support gig workers, and labor inspections will be strengthened. For SMEs, the SME ONE ID platform will be further developed to improve inter-agency data sharing, and tailored funding options—including joint ventures, angel investors, and grants—will be introduced to support startups and vulnerable entrepreneurs.</p> <p>To implement these plans, Thailand requires budget allocations, partnerships with civil society, the private sector, and international organisations as well as investments in digital infrastructure to improve access to services, finance, and formal employment opportunities.</p>
6.	<p>Regional cooperation: How can APEC support economies as they look to advance participation in the formal economy? What role does regional cooperation and multilateral fora have to be able to create an environment to learn from economies' experience in this area? What areas do you think your economy would benefit from collaboration or capacity building? Which regional initiatives do you consider could be leveraged or expanded? Which target group do you think requires the greatest regional effort and cooperation to overcome its barriers to participating in the formal economy?</p>
	<p>APEC can play a pivotal role in supporting economies to advance participation in the formal economy by facilitating the exchange of best practices among member economies. This includes initiatives such as the development of SME Digital ID platforms, alternative credit scoring models, and digital skill-building programs—approaches that can be adapted to the context of economies like Thailand. Capacity building through APEC-led training programs and workshops on SME financing, women's entrepreneurship, and digital transformation can further empower vulnerable groups and micro-entrepreneurs.</p> <p>Regional cooperation and multilateral fora are essential for creating an enabling environment for economies to learn from one another. Platforms like APEC allow for policy dialogue and technical collaboration, enabling the development of standardized frameworks such as SME ONE ID, promoting inclusive finance mechanisms through alternative credit scoring systems, upgrading workforce skills to international standards, and fostering cross-border networks. These initiatives promote harmonized digital infrastructure, build trust for cross-border trade, and enhance labor mobility through mutual recognition of skills and credentials.</p> <p>In Thailand's case, collaboration and capacity building in areas such as digital transformation of MSMEs, access to inclusive finance, and the development of</p>

entrepreneurial ecosystems in rural and border regions would be highly beneficial. Leveraging relevant APEC initiatives would help Thai SMEs and startups integrate into global value chains and benefit from regional knowledge exchange. Furthermore, APEC can contribute by supporting pilot programs with both technical expertise and financial resources. These programs should aim to aligning member economies' skills competency frameworks, standardize job classification, improve credential transparency, and promote regional job mobility—thus creating clear pathways into formal employment. This could be achieved through blended training models that combine e-learning with on-site apprenticeships to provide informal workers and micro-entrepreneurs with critical business management skills and sector specific technical proficiencies. In addition, APEC's convening power can foster multi stakeholder steering committees, bringing together government agencies, regional industry associations, and social enterprises to co-design monitoring and evaluation frameworks.

The group that requires the greatest regional effort and cooperation is informal workers and micro-enterprises, particularly those led by women, vulnerable populations as well as those located in rural or border areas. These groups face significant barriers such as lack of legal identity, limited digital access, low financial literacy, and exclusion from formal credit and markets. Targeted support and coordinated regional efforts to formalize their participation in formal economy—through digital inclusion, policy incentives, and accessible training—would be critical to building more resilient and inclusive economies.