



Office for Product  
Safety & Standards

# Regulatory Reform for Businesses and Consumers in ASEAN Countries – Understanding Potential Impacts on Gender Equality and Micro, Small & Medium Enterprises

Research Report

October 2024



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The views expressed in this report are those of the authors, not necessarily those of the Office for Product Safety and Standards (OPSS) or the Department for Business and Trade (DBT) or UK International Development, nor do they necessarily reflect government policy.

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## Foreword

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This report, commissioned by the UK, provides valuable research and evidence on the potential impacts of regulatory reforms for ASEAN businesses and consumers, with a focus on women's economic empowerment and smaller businesses.

The research was undertaken as part of the Regulatory Reform pillar of the ASEAN-UK Economic Integration Programme (AEIP). The programme aims to support the reduction of barriers to development across ASEAN Member States, in order to increase prosperity and foster more inclusive economic growth. It homes in particularly on improving women's economic empowerment, and conditions for smaller businesses to thrive, because addressing these challenges is central to achieving genuinely inclusive growth.

The Regulatory Reform pillar of the AEIP focuses on good regulatory practices, consumer product safety, standards and intellectual property. This report has sought to identify the areas where is the greatest gap in evidence across these Regulatory Reform workstreams, and provides valuable analysis of the key barriers to ASEAN women's economic empowerment and those faced by smaller businesses. It provides recommendations on how regulatory practices could be improved for the benefit of women and smaller businesses, and identifies specific areas in which conditions could be improved through regulatory reform pillar interventions.

The research findings and recommendations can help to inform policymaking in ASEAN Member States – by highlighting barriers and opportunities, and making evidence-based recommendations, it is designed to support the implementation of more inclusive and efficient regulatory approaches. It will also help to shape the design of the UK's future Regulatory Reform interventions in support of ASEAN's work, and inform our approach under the trade and finance pillars of the ASEAN-UK Economic Integration Programme.

I would like to offer thanks to those who contributed to this report, particularly the Centre for Strategy and Evaluation Services, Dr Kelly Gerard of the University of Western Australia, the UK Office of Product Safety and Standards (OPSS), FCDO Global Science and of course to all the ASEAN stakeholders who contributed, including through interviews, without whom the research would not have been possible.

Sarah Tiffin

A handwritten signature in black ink, appearing to read 'S. Tiffin', with a stylized flourish at the end.

UK Ambassador to ASEAN

## List of Acronyms

<b>ACW</b>	ASEAN Committee on Women
<b>ACWC</b>	ASEAN Commission on the Promotion and Protection of the Rights of Women and Children
<b>AEIP ASEAN-UK</b>	ASEAN Economic Integration Programme
<b>AERP</b>	ASEAN Economic Reform Programme
<b>AMS</b>	ASEAN Member States
<b>APEC</b>	Asia-Pacific Economic Cooperation
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>AWEN</b>	ASEAN Women Entrepreneurship Network
<b>BT</b>	Better Regulation
<b>CGF</b>	Credit Guarantee Funds
<b>DBT</b>	Department for Business and Trade
<b>DTI</b>	Department of Trade and Industry
<b>ERIA</b>	Economic Research Institute for ASEAN and East Asia
<b>ESCAP</b>	Economic and Social Commission for Asia and the Pacific
<b>G&amp;I</b>	gender and inclusivity
<b>GDP</b>	Gross Domestic Product
<b>GESI</b>	Gender Equality and Social Inclusion
<b>GII</b>	Gender Inequality Index
<b>MRA</b>	Mutual Recognition Arrangements
<b>MSME</b>	Micro and Small and Medium Enterprises
<b>M&amp;E</b>	Monitoring and Evaluation
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>OPSS</b>	Office for Product Safety and Standards
<b>PEFA</b>	Public Expenditure and Financial Accountability program
<b>RR</b>	Regulatory reform
<b>SAP SMED</b>	Strategic Action Plan for SME Development
<b>UNDP</b>	UN Development Programme
<b>WBL</b>	World Bank's Women, Business and Law
<b>WEDP</b>	Women Exporters Development Program
<b>WEE</b>	Women empowerment and entrepreneurship
<b>WEF</b>	World Economic Forum

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## Abstract

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The Association of Southeast Asian Nations (ASEAN) is a diverse economic region with significant potential for further development. Major industries include electronics (Vietnam, Malaysia, and Singapore); textiles and apparel (Vietnam and the Philippines); automotive (Thailand and Indonesia); petrochemicals (Thailand, Indonesia, and Malaysia) and agricultural products (Vietnam, the Philippines, Indonesia, and Thailand).

Across the region, micro and small enterprises are a cornerstone of economic development, representing above 95% of total enterprise. Women's Economic Empowerment (WEE) is also essential for achieving economic growth and sustainable development. WEE involves ensuring that women can participate equally and benefit from decent work, social protection, and economic decision-making. In ASEAN countries however, women predominantly remain in the informal economy with lower working conditions and rights, and their potential contributions untapped.

On 5 August 2021, the UK became an ASEAN Dialogue Partner, the first new Dialogue Partner in 25 years, with the aim of building stronger diplomatic and economic ties in South-East Asia. The UK is an important trade partner to ASEAN. This research was commissioned to inform the design, monitoring and evaluation of WEE and MSME inclusive regulatory reform interventions in AMS that contribute to improved regulatory and standards systems, a more stable environment for growth, investment and trade, and better protection for workers and consumers. This report uses a meta-analysis of existing literature and case studies on regulatory reforms in a specific set of ASEAN countries (Indonesia, Malaysia and Vietnam) in the context of WEE and MSME. It provides recommendations that are relevant to the Regulatory Reform pillar of the ASEAN-UK Economic Integration Programme (AEIP).

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## Executive Summary

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### Background

The Association of Southeast Asian Nations (ASEAN) was founded in 1967 bringing together ten member countries in Southeast Asia. With very diverse economies and with a combined population exceeding 650 million, the region has demonstrated great potential for growth after proving its resilience to the impacts of Covid 19.

On 5 August 2021, the UK became an ASEAN Dialogue Partner, the first new Dialogue Partner in 25 years. Following this, in July 2023, the UK announced a new £25 million ASEAN-UK Economic Integration Programme (AEIP) to strengthen ASEAN economic integration and drive more equitable growth. It is built on three pillars, one of which is a Regulatory Reform (RR) Pillar. The RR pillar is aimed at ensuring that businesses and consumers are protected by clear regulation and standards, which includes Better Regulation Principles and consumer product safety and e-commerce as key areas of focus. The AEIP aims to harness opportunities from the digital economy with a strong focus on WEE and small business development.

The Office for Product Safety and Standards (OPSS) is the implementing partner for the RR pillar. This study has been commissioned by the OPSS to support its implementation. It aims to gather evidence that will allow the design of regulatory reform interventions that can better support women's economic empowerment (WEE) and MSMEs by identifying key issues and identifying interventions that work better to achieve better outcomes.

The approach has included both a literature review and interview programme, followed by a workshop (held on 17 July 2024) where the findings from the evidence gathered were discussed. The interview programme has included over 30 interviews with regional stakeholders but with a focus on three AMS, selected on specific criteria pertaining to regulatory reform and metrics on WEE and MSMEs. The three countries were Indonesia, Malaysia and Vietnam. The transferability of the case studies' findings to the rest of the ASEAN region is also explored.

### Findings on WEE, main barriers and opportunities

Women entrepreneurs play a crucial role in the ASEAN economy. In the last few years, there has been significant progress in recognising the role of women in the regional economy. There are no recent figures for the number of women owning a business across the region, but 2017 estimates have suggested a total of 61.3 million women owning and operating businesses in the ten ASEAN member countries, accounting for 9.8% of the total ASEAN population.<sup>1</sup>

Our findings show that:

- All of the countries researched are increasingly recognising the importance of women in their national economies and have developed strategies for increased inclusion and participation, including the creation of specific government departments and gender budgeting, with these being increasing areas of focus.
- While predominantly, women-owned businesses are to be found in low-value sectors, there are some women who spearhead enterprises found in high-tech industries which provide important value to economies.

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<sup>1</sup> UNESCAP (2017): Fostering Women's Entrepreneurship in ASEAN Transforming Prospects, Transforming Societies Overview, available at: <https://repository.unescap.org/bitstream/handle/20.500.12870/906/ESCAP-2017-PB-Fostering-women-entrepreneurship-ASEAN-transforming-prospects-societies-overview.pdf?sequence=5>



- Specific initiatives to improve access to credit have been shown to have a positive impact. For instance, women-focused credit schemes are increasingly provided by some larger banks, such as the BTPN Syariah Bank in Indonesia.

There remains however a list of persistent barriers to WEE:

- The **double burden** on women in ASEAN is a **significant barrier**. Many women in ASEAN face dual responsibilities, balancing both paid employment and unpaid domestic work. This is still a hindrance to WEE and limits the ability of women to participate in the labour market.
- **Lacking digital skills among women** is also a **significant barrier**. Although consultation has suggested that women have access to basic digital technologies such as access to mobile phones and the internet, they lack more advanced digital skills to grow their businesses and scale activities, including entering global supply chains and networking opportunities;
- **Access to credit** remains a **moderate barrier**; there have been good government efforts across the ASEAN region to increase access to credit, with specific schemes being developed to this end. Collateral is still a barrier in some of the ASEAN countries, however.

## Findings on MSMEs, main barriers and opportunities

MSMEs are a key motor of the ASEAN economies but their role in international trade is yet to be developed. The findings from the case studies show the following:

- There are many supporting programmes to assist MSMEs with finance and growth; which include finance and export support.
- There have also been several attempts to simplify administrative costs, including business registrations.
- There are good institutional settings for their implementation; although in most cases, the implementation is a bit fragmented and lacking coordination.

There are however some key barriers that remain, namely:

- **Training and skills** to upscale business are still in short levels to ensure effective delivery and increase their participation in global supply chains, and this remains a **significant barrier**. For instance, in Indonesia, although MSMEs make up 99% of the overall businesses, they contribute only 15% of overall exports.
- Many **MSMEs remain outside the formal economy**, due to fear of administrative costs and taxation, which is a **key significant barrier**, despite the attempt to simplify business registrations and reduce compliance costs.
- **Access to infrastructure**, including digital infrastructure, has curtailed some of the expected achievements. This remains a **moderate barrier** in specific regions.

## Recommendations for Better Regulation in Regulatory Reform

Regulatory reforms (RR) have the potential to specifically improve the environment for MSMEs and WEE. Examples of RR that can positively influence MSMEs and WEE have been found in the literature and the case studies. They include legal framework reforms, access to finance, workplace related regulation, training and capacity building and other supporting policies such as tax incentives or grants for women owned businesses and MSMEs. This study presents some of these RRs in different ASEAN countries (e.g. simplification of business registrations, support to women' enterprise exports, access to finance, etc) as well as a description of impacts, based on the literature and mostly consultation.

Not all reforms are within the scope of the OPSS (e.g. legal framework reforms, workplace regulations, access to finance). Others, such as training and capacity building on standards and technical regulations for instance, appear to be feasible. Based on the literature review and consultation, our **recommendations on OPSS' interventions** that could work better to achieve WEE and MSME positive outcomes across ASEAN as a region more generally are as follows:

- **Support programmes that build on innovation and technology:** including the use of digital tools to further engage with stakeholders and the upskilling towards, and the promotion of equitable access to digital assets. This could include creating platforms for women entrepreneurs to connect and collaborate and could be sector specific, with guidance on the interpretation of standards and help to address non-financial barriers. These programmes should ensure that women have access to innovation support and guidance in relation to standard certification services.
  - **Support the implementation of ASEAN commitments towards women-owned and operated MSMEs:** This could include specific programmes, such as those by MATRADE and women export programmes in Malaysia. It could include specific support in areas such as access to ICT and improving business skills. The EIP could support the implementation of strategies towards the formalisation of employment within the informal sector (e.g. home-based workers and/or teleworkers such as in the garment industry in Vietnam and/or increasing formal work for women in the consumer electronic assembly in Malaysia). Specific challenges and priorities will inevitably vary across ASEAN countries but collectively, efforts should be made towards the broader objectives of the ASEAN block. The ASEAN Charter is legally binding for all members. Individual countries should ensure that their specific commitments on WEE are aligned towards the Charter.
- a) **Support programmes that facilitate participation of women entrepreneurs in domestic and international value chains:** These could include training on standards and the assessment of mutual recognition agreements. Adoption of gender-blind standards (adopting male point of view as a default point of reference) can have detrimental effect on the health of women (e.g. car safety belts, earthmoving equipment or standard air-conditioning settings). Moreover, there are some known examples of national regulatory reforms that had negative, unpredicted spill-over effects on women. The examples include quality standards in the fruit production industry, where women have been excluded from higher value-added export possibilities. Cooperation with women representative organisations to develop bespoke training on standards is a crucial necessity and this should include digitalisation options. Regulatory interventions will inevitably need to raise standards and provide protection and incentives to help low-value MSMEs scale, but they also need to address the diversity of women-owned businesses, to provide opportunities for all types of enterprises, in the round.

The focus of the study is also on **Better Regulation**, in other words, ensuring that any RR abide to better regulation (BR) principles, which aim to ensure that policies are well designed, during the planning phase, effectively implemented, during the implementation phase, and continuously improved, monitored and evaluated. Our recommendations at the different stages toward BR are as follows:

- 1) **Pre-implementation/planning phase:** This phase will include evidence gathering and conducting an impact analysis, or Regulatory Impact Assessment. Most of the ASEAN countries are familiar with Regulatory Impact Assessment Practices (RIA) but the depth of the impact assessment is unknown. Our recommendations are for OPSS to work together with ASEAN towards:
  - a. **Improving regulatory design to take account of impacts on MSMEs:** Ex-ante RIA should differentiate between micro and small enterprises vs medium and larger companies. They should take into account of barriers in specific sectors, e.g. non-tariff barriers, licensing, etc, but also considering long-term sectoral impacts. The impacts on formalisation of businesses, specifically micro-enterprises, remains critical

- b. **Improving regulatory design to take account of gender impacts:** These assessments should examine access, participation, and benefits. Participation blockages also need to be considered, including barriers to education and training, women’s participation in the labour market after maternity leave, digital skills acquisition, constraints to own assets, etc.
  - c. **Good stakeholder mapping and engagement:** this step should include identification of all stakeholders that will be directly or indirectly impacted by the policy with a focus on those stakeholders that have the most influence and interests. These will provide key information to identify and overcome barriers as well as provide advice on the best methods for engaging with different players but also for the collection of data (e.g. mentoring, local workshops, surveys, online platforms, etc.)
  - d. **Development of M&E Framework in advance to plan for data gathering for different types of interventions and addressing gender in Impact Evaluation:** It is important to monitor the impacts and plan data gathering at the early stages as well as an estimation of resource needs. This should include gender disaggregated data. At the moment, there appears to be a main gap in this regard in the programmes and interventions that have been considered. It is important that data gathering is planned as well as ways to collect the data, building on the stakeholder mapping to source these data but also including metrics that can help to measure progress against the barriers (e.g. adoption of digital technologies, networking events, training events and participation, compliance rate with safety and quality standards, etc.)
- 2) **Implementation phase:** Our recommendation is for the OPSS to engage further with government departments to provide:
- e. **On-going guidance and support, including mentoring:** Although there have been good efforts to account for local stakeholders, on-going guidance should be offered. One suggestion includes the use of external stakeholder groups with local knowledge that could facilitate bespoke mentoring.
  - f. **Better dissemination and communication:** one of the main obstacles identified in the literature is the lack of networks for WEE. Our recommendation on this is to invest in networks that can facilitate transparent communication, including the role of organisations and supporting institutions, providing regular updates and feedback mechanisms from key organisations but also any other stakeholders, mapped in the earlier phase.
  - g. **Monitoring and evaluation:** this last step should include collecting data according to the M&E framework developed in the earlier phase but also include the reasons why some of the objectives of the intervention may not have been attainable and difficulties when gathering the data. This will allow revisions and future adjustments, so the policy remains relevant.

## 1 Introduction

*Effective regulations are needed to support growth, investment, innovation, and the functioning of markets and society as a whole. The importance of good regulatory practice (GRP) has been well-recognised by ASEAN.*

The ASEAN Good Regulatory Practice (GRP) Core Principles, 2018

This document contains the Final Report for the research project ‘**Regulatory Reform for Businesses and Consumers in ASEAN Countries - Understanding Potential Impacts on Gender Equality and Micro, Small & Medium Enterprises**’. The project was conducted by the Centre for Strategy & Evaluation Services (CSES) for the Office for Product Safety & Standards (OPSS). The study was delivered under the OPSS Research Collaboration Network Framework (Lot 3).

This section provides a brief overview of the context, objectives and scope of the research, before describing the methodological approach implemented and outlining the structure of this report.

### 1.1 The Association of Southeast Asian Nations Economic Integration Programme

Founded in 1967, the Association of Southeast Asian Nations (ASEAN) brings together ten Member States: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The ASEAN Community aims to achieve progress across three pillars, covering Political-Security, Economic and Socio-Cultural issues.<sup>2</sup>

The UK is an important trade partner to ASEAN. On 5 August 2021, the UK became an ASEAN Dialogue Partner, the first new Dialogue Partner in 25 years, with the aim of building stronger diplomatic and economic ties in South-East Asia.

#### Trade between the UK and ASEAN – Some figures

In the four quarters to end of Q4 2022, total trade in goods and services between the UK and ASEAN Member States was £46.5 billion.

- UK exports to ASEAN Member States in the four quarters to the end of Q4 2022 amounted to £23 billion (51.7% goods; 48.3% services).
- UK imports totalled £23.6 billion (73.1% goods; 26.9% services) over the same period.

**Source:** UK Gov (2023)<sup>3</sup>

In line with the above, in July 2023, the UK announced a new £25 million ASEAN-UK Economic Integration Programme (AEIP) to strengthen ASEAN economic integration and drive more equitable growth. The AEIP aims to support ASEAN to reduce poverty in the region, and provide the foundation for more inclusive economic and cohesive development that benefits the poorest towards a more cohesive regional economy. The programme will harness opportunities from the digital economy with a strong focus on women’s economic empowerment (WEE) and small business development. This programme underscores the commitment to a rules-based, non-discriminatory, open, free, inclusive, equitable, and transparent multilateral trading system, with the World Trade Organisation (WTO) at its core.

The EIP has three pillars focused on ensuring that businesses and consumers:

- Can access quality financial services (finance pillar)

<sup>2</sup> UK Gov (2023). *Guidance UK-ASEAN factsheet*, Updated 12 July 2023, <https://www.gov.uk/government/publications/uk-asean-factsheet> (accessed 26 July 2024).

<sup>3</sup> UK Gov (2023). *Guidance UK-ASEAN factsheet*.

- Are protected by clear and effective regulations and standards (regulatory reform pillar); and
- Can smoothly trade across borders (trade pillar)

The OPSS is leading the design and delivery of the regulatory reform (RR) pillar; the RR pillar has three key areas of focus:

- Better regulation
- Standards & NQI and
- Consumer product safety and e-commerce

This research focuses on the potential impacts of regulatory reform – for better regulation and consumer product safety and e-commerce – on WEE and MSMEs.

## 1.2 Study objectives and scope

The core purpose of this research is to support the **Regulatory Reform Pillar of the AEIP** by building an evidence base that will allow the design of regulatory reform interventions in AMS that (1) contribute to improved regulatory and standards systems, (2) a more stable environment for growth, investment and trade, and (3) better protection for workers and consumers in ways which best serve WEE and MSME growth objectives, and their monitoring and evaluation.

### Better regulation within the context of the study

The study covers *“non sector specific regulatory frameworks and the tools used by government departments throughout the policy cycle when deciding whether to introduce business regulations and how to design, implement and monitor them”*.

For the UK, better regulation processes include:

- **Better Regulation Framework:** this ensures when new regulations are introduced, there is robust evidence to justify any costs to business or others that they might require. This should also consider alternatives to regulation.
- **Independent scrutiny of Impact Assessments** from the UK’s Regulatory Policy Committee.
- **Consultation:** how departments approach stakeholder engagement when considering regulation.
- **Regulator’s code:** this provides a principles-based framework for how regulators should engage with those they regulate.
- **Post Implementation Review:** how to monitor and evaluate whether implemented regulations are the most effective.
- **Government coordination:** the processes which work together to ensure the UK regulatory landscape supports business.

In relation to ASEAN countries, the study is looking for analogous processes and specific regulatory reforms (or lack of them) that are impacting WEE and MSMEs.

To support this goal, the research aimed to achieve three key research objectives:

1. Identify key WEE and MSME issues in regulatory reform across AMS.
2. Identify interventions that work to achieve better outcomes for WEE and MSMEs, both directly and indirectly.
3. Identify the metrics needed to measure and report on the impacts of regulatory reform interventions on WEE and MSMEs.

## 1.3 Approach

### 1.3.1 Study methodology

This project has been delivered across two distinct phases:

- Phase 1 consisted of a review of key literature and preparatory activities to support the Phase 2 research, including the selection of countries and initiatives for the Phase 2 research. The findings were shared with OPSS via an interim report, while some of the key findings are reiterated in this deliverable.
- Phase 2 deepens the analysis of the barriers and the impacts of regulatory reform initiatives in a sample of countries based on data gathered through semi-structured interviews with key stakeholders in those countries.

Considering Phase 1 (which ran from March to May 2024), the main approach consisted of a literature review, focusing on the identification and review of relevant statistics, government publications and literature from academia, civil society and other sources concerning the participation of women and MSMEs in economic activity. This literature review was conducted at the international, regional and national level, with overarching and country-specific outputs prepared

In this context, an interim report was developed, drawing on a range of gender related indices related to inclusivity. The literature review revealed a plethora of indices that report annually and allow progress on WEE to be monitored. While these gender indices are not necessarily linked to MSMEs, they are still of relevance to assess women's empowerment and entrepreneurship. The indices of relevance include:

- The Gender Inequality Index (GII), developed by the UN Development Programme (UNDP), reflects gender-based disadvantage in three dimensions — reproductive health, empowerment and the labour market — for as many countries as data of reasonable quality allow. It shows the loss in potential human development due to inequality between female and male achievements in these dimensions. It ranges from 0, where women and men fare equally, to 1, where one gender fares as poorly as possible in all measured dimensions.
- The Global Gender Gap Index, developed by the World Economic Forum (WEF), annually benchmarks the current state and evolution of gender parity across four key dimensions: Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. It is the longest-standing index tracking the progress of national efforts towards closing these gaps over time since its inception in 2006. Scores closer to zero represent greater inequality; scores closer to one represent greater equality.
- The [World Bank's Women, Business and Law](#) (WBL) website and report provides information on the obstacles that women face in entering the global workforce and contributing to greater prosperity in individual countries. The WBL Indicator provides scores with a focus on the legal framework, covering issues such as safety from violence and access to childcare services, including paid maternity and paternity leave. It analyses laws, examines the existence of frameworks supporting the implementation of the law and gauges expert opinions on the outcome of the law for women.
- The PLAN Asia Pacific Girls' Leadership Index measures the opportunities of adolescent girls and young women to develop and demonstrate leadership capabilities. It covers 19 South and Southeast Asian countries and 14 Pacific Island member countries and territories of the Economic and Social Commission for Asia and the Pacific (ESCAP). The definitions of 'girl' varies but most measures consider up to 24 years of age.

In comparing different sources of data on WEE, a number of caveats needs highlighting:

- There are sometimes discrepancies between the sources of data on the relevant figures, concerning women's representation and/or more generally, sectoral and economic figures.

- In some cases, the definitions of MSMEs<sup>4</sup> and of women entrepreneurs vary among ASEAN countries. These discrepancies also impact the like for like comparison of statistics on women entrepreneurship and smaller companies in general. The figures should thus be interpreted as an indication of relative importance and should be validated with other qualitative data.

To address the above shortcomings, the same sources of data were used across all countries on key metrics, so the figures can be compared across countries for country selection. Further, to ensure comparability between the seven ASEAN countries concerned, specific sources of data – available at the international level – were consulted to generate an overview of labour market opportunities for women. Specific data sources considered to be more robust include the ILO statistical database, which was drawn upon regarding the following indicators: proportion of women in managerial positions and female labour market participation. Additionally, data published by the World Bank was used, including country population and GDP per capita.

### 1.3.2 Case study selection

In selecting the cases studies, we put a primary focus on the existing regulatory reforms that align with better regulation principles in the different countries from an MSME and WEE perspective.

#### Good Regulatory Principles and Practice in ASEAN

The ASEAN Work Plan on Good Regulatory Practice (GRP) 2016-2025 was adopted at the 23rd ASEAN Economic Ministers' (AEM) Retreat in March 2017, and endorsed by the AEC Council Ministers in April 2017. One of the key deliverables of the Work Plan is to secure commitment to GRP at the political level, which is done herewith through the ASEAN GRP Core Principles.

The ASEAN GRP Core Principles are:

- Principle 1: Clarity in policy rationale, objectives, and institutional frameworks
- Principle 2: Produce benefits that justify costs and be least distortive to the markets
- Principle 3: Be consistent, transparent, and practical
- Principle 4: Support regional regulatory cooperation
- Principle 5: Promote stakeholder engagement and participation
- Principle 6: Be subject to regular review for continued relevance, efficiency, and effectiveness

Secondly, we considered, as a follow up, which actions could be pursued by the OPSS to enhance product safety and e-commerce opportunities. Last but not least, we selected the case studies on the basis of different indices on gender equality. The following table gives an overview on a selection of indices which can be used to describe WEE in ASEAN economies (where bold indicates best performing and red worst performing countries), with further explanation on the different countries below. The table shows that:

- **Vietnam** is among the best performing countries in terms of addressing the gender gap and inequality. It also seems to have the largest percentage of female entrepreneurs, with over 50% of firms with female participation in ownership.
- **Indonesia** performs poorly, in relative terms, with regard to the gender gap, despite improvements made over the past year. Among all ASEAN countries, Indonesia has the lowest percentage of female participation in business ownership.
- **Malaysia** has the lowest score in the global gender gap index due to limited economic participation and opportunities. The percentage of women in entrepreneurial positions is modest.

<sup>4</sup> ASEAN (2015): Strategic Action Plan For SME Development 2016-2025, available at: <https://asean.org/wp-content/uploads/2015/12/SAP-SMED-Final.pdf>

On the other hand, the Gender Inequality Score is better than in other ASEAN countries, but this index does not encapsulate WEE as much, rather focusing on labour participation rate and other variables such as mortality, education and parliamentary representation, where Malaysia does not perform as poorly, and which may represent an opportunity.

**Table 1: Gender equality indices in ASEAN countries and WEE (worst performers in red, best performers in bold)**

Country	Global Gender Gap Index (changes from previous years in brackets) <sup>5</sup>	Gender Inequality Index Score (ranking in brackets) <sup>6</sup>	Economic Participation and Opportunity (0-1) <sup>7</sup>	Proportion of firms (all sizes) with female participation in ownership <sup>8</sup>
Indonesia	0.697 (+5)	0.439 (109)	0.666	22.1% (2015)
Malaysia	0.682 (+1)	0.202 (52)	0.664	40.9% (2019)
Vietnam	<b>0.711(+11)</b>	<b>0.378 (91)</b>	0.749	<b>51.1%(2015)</b>

\* Data on the proportion of firms with female participation in ownership is drawn from the World Bank's Enterprise Surveys. As data is not always comparable, the source year is provided.

\*\* Economic Participation and Opportunity ranks countries according to outcomes on: salaries, participation levels and access to high-skilled employment. It is a component of the World Economic Forum's Global Gender Gap Report.

\*\*\* The Global Gender Gap Index is a framework that ranks countries across: economic participation and opportunity, educational attainment, health and survival and political empowerment. The closer to 1, the smaller the gender gap.

\*\*\*\* The Gender Inequality Score ranges between 0 and 1, with 0 being 0% inequality, demonstrating that women fare equally to men would be a score of 1, at 100%.

Our recommendations were based on the availability of information on the different regulatory reforms; but other criteria such as the prevalence of economic sectors that fall within the scope of the OPSS have also been given particular consideration. Trading statistics have also been observed for selecting the countries. Last but not least, indices of WEE have also been considered. The countries were agreed following in-depth discussions. The rationale for their selection is depicted in the next table.

**Table 2: Case Studies: Rationale for selection**

Indonesia	Malaysia	Vietnam
Indonesia is the country with the largest percentage of MSMEs employees to total labour force and number of MSMEs more generally  The regulatory reform that is the focus of the case study is the <b>risk-based</b>	In 2020, MSMEs accounted for 97.2% of total business establishments in Malaysia.  Malaysia has the lowest score in the global gender gap index due to limited economic participation and	<b>Resolution 68</b> aligns with the principles of Better Regulation and aims to reduce regulatory burden.  Vietnam is an important trading partner and producer of garments, which fall within the scope of the OPSS

<sup>5</sup> World Economic Forum (2023). *Global Gender Gap Report, Insight Report, June 2023*, WEF\_GGGR\_2023.pdf (weforum.org) (accessed 26 July 2024), p. 25.

<sup>6</sup> UNDP (2024). *Human Development Reports*, Latest Human Development composite indices tables, <https://hdr.undp.org/data-center/documentation-and-downloads> (accessed 26 July 2024).

<sup>7</sup> World Economic Forum (2023). *Global Gender Gap Report, Insight Report, June 2023*, WEF\_GGGR\_2023.pdf (weforum.org) (accessed 26 July 2024), p. 25.

<sup>8</sup> World Bank (2024). Firms with female participation in ownership (% of firms) - Cambodia, Viet Nam, Thailand, Indonesia, Malaysia, Philippines, Lao PDR, <https://data.worldbank.org/indicator/JC.FRM.FEMO.ZS?locations=KH-VN-TH-ID-MY-PH-LA> (accessed 26 July 2024).



Indonesia	Malaysia	Vietnam
<p><b>licensing.</b> In the area of better regulation, Indonesia has introduced a Risk-Based Approach, where licenses and permits are issued based on the business's risk level, determined by potential hazards. The scale of potential hazards considers aspects such as health, safety, environment, natural resource management, business type, and location.</p>	<p>opportunities. The percentage of women in entrepreneurial positions is modest. On the other hand, the Gender Inequality Score is better than in other ASEAN countries. Malaysia is an important manufacturer of electric and electronic products.</p> <p>There are government-led programs that provide support to female entrepreneurs such as access to finance which may remove some of the barriers to WEE</p> <p>The case study focuses on the outcomes and outputs from the <b>Women Exporters Development Program (WEDP)</b></p>	<p>High participation of women in the labour force, and few legal differences in status between men and women. Women are a significant part of the garment industry so there are opportunities for inclusive growth.</p> <p>Vietnam has introduced into the country's legal system a definition of a female-owned SME.</p>

## 1.4 Structure of this report

The purpose of this draft final report is to: (i) analyse barriers and opportunities for WEE and MSMEs in Indonesia, Malaysia, and Vietnam, (ii) analyse existing and possible regulatory reforms and policy interventions to improve the business environment for MSMEs and WEE in Indonesia, Malaysia, and Vietnam, (iii) present the case studies developed on the basis of desk research and interviews with stakeholders.

The Draft Final Report marks the end of Phase 2 and is structured as follows:

- **Executive Summary**
- **Section 1: Introduction** – a summary of the study objectives and scope, including the research methodology and explanation of case studies' selection
- **Section 2: Country Study Indonesia**
- **Section 3: Country Study Malaysia**
- **Section 4: Country Study Vietnam**
- **Section 5: Summary of barriers and opportunities in relation to MSMEs and WEE in ASEAN economies and Regulatory Reforms**
- **Section 6: Conclusions and recommendations**

**Appendices** – these present a bibliography and the interview guide, the workshop agenda and participation log. Finally, there is also the exhaustive list of interview participants included.

## 2 Country study: Indonesia

### 2.1 MSMEs in Indonesia

MSMEs account for the vast majority of businesses in Indonesia where the definition of MSMEs is based on the value of assets and sales (and not number of employees).<sup>9</sup> 99% of all businesses are MSMEs, according to data from 2019; with 61% of Indonesia's GDP generated from enterprises within this category. 97% of the country's labour force is drawn from MSMEs.<sup>10</sup> Approximately 60% of all MSMEs across the country are estimated to be run by women, but these are primarily micro enterprises.<sup>11</sup>

The top three micro and small manufacturing industries in relation to revenue in Indonesia are: food products, wearing apparel and products of wood and cork (except furniture).<sup>12</sup> The overall participation rate of Indonesian SMEs in the global export market is low. Data from the Indonesian Ministry of Trade show that less than 1% of SMEs export their products.<sup>13</sup>

Women-owned SMEs in Indonesia usually operate in the service sector rather than the manufacturing sector, with the exception of food production and have a notable presence in other services, retail trade, and wholesale trade, but a minimal presence in sectors such as chemicals or plastics, information technology, machinery and equipment, and metals or other minerals.<sup>14</sup>

#### 2.1.1 Regulatory reform in the MSME context

The Ministry of Cooperatives and SMEs Indonesia is the body responsible for MSMEs, within the country. Its strategic plan makes several references to women, but most generally in relation to the performance of women's cooperatives. It works with the Ministry of Women Empowerment and Child Protection to better support women entrepreneurs under the Memorandum of Understanding No. 5/2010 concerning Women Empowerment in the Gender Initiative through Cooperatives and SMEs.

A number of regulatory reforms and policy initiatives have been introduced in order to support Indonesian MSMEs in recent years. A key imperative underpinning these steps is the need to incentivise MSMEs who are not registered businesses into the formal economy. This was one of the key objectives pursued through the risk-based licensing reform introduced in 2021 as Government Regulation 5 (GR 5/2021) under Omnibus Law 2020, on Job Creation. This reform has been explored through stakeholder consultation and is assessed in detail below.

Further regulations have been established to leverage procurement in order to support the development of the MSME sector. Regulation 12/2021 was issued on 2 February 2021 and came into

<sup>9</sup> In Indonesia, the definition of Micro, Small, and Medium Enterprises (MSMEs) is outlined in Law Number 20 of 2008.

Micro Enterprises: Annual Sales: Up to IDR 300 million; Assets: Up to IDR 50 million (excluding land and buildings).

Small Enterprises: Annual Sales: Between IDR 300 million and IDR 2.5 billion; Assets: Between IDR 50 million and IDR 500 million (excluding land and buildings).

Medium Enterprises: Annual Sales: Between IDR 2.5 billion and IDR 50 billion. Assets: Between IDR 500 million and IDR 10 billion (excluding land and buildings)

<sup>10</sup> Asian Development Bank (2022). *Asia Small and Medium-Sized Enterprise Monitor Volume 1: Country and Regional Reviews*, <https://data.adb.org/dataset/2022-adb-asia-small-and-medium-sized-enterprise-monitor-volume-1-country-and-regional> (accessed 26 July 2024).

<sup>11</sup> UN Women (2021). *Indonesia's Government Investment Center and UN Women Launch Partnership to Empower Women Ultra-Micro Businesses*. Available at: <https://asiapacific.unwomen.org/en/news-and-events/stories/2021/12/partnership-to-empower-women-ultra-micro-businesses> (accessed 14 July 2024).

<sup>12</sup> UNCTAD (2023). *Trade and entrepreneurship in Indonesia from a gender and development perspective*, [https://unctad.org/system/files/official-document/ditc2023d3\\_en.pdf](https://unctad.org/system/files/official-document/ditc2023d3_en.pdf) (accessed: 26 July 2024).

<sup>13</sup> Dea, V. (2019). *An Overview of Support for Women Entrepreneurs in Indonesia and Canada: Focus on SMEs and Start-Up*, Indonesia Canada Chamber of Commerce, [An-Overview-of-Support-for-Women-Entrepreneurs-in-Indonesia-and-Canada.pdf \(angin.id\)](https://www.icanadacommunity.org/wp-content/uploads/2019/07/An-Overview-of-Support-for-Women-Entrepreneurs-in-Indonesia-and-Canada.pdf) (accessed: 26 July 2024).

<sup>14</sup> Dea, V. (2019). *An Overview of Support for Women Entrepreneurs in Indonesia and Canada: Focus on SMEs and Start-Up*.

effect on the same date. It mainly aims to provide more opportunities for micro-level businesses and cooperatives to be involved in the public procurement of goods and services. Regulation 12/2021 now requires the Ministry/institution/local Government to use at least 40% of its budget to obtain domestic products from micro-level businesses and cooperatives. No certain percentage was required under the Previous Regulation.<sup>15</sup>

Another regulatory initiative that is pursued by Indonesia's Central Bank is that it mandates that both commercial and state-owned banks must set aside 20 per cent of their total loans for MSMEs. Additionally, it obliges banks to open one new branch in the more remote areas. This requirement was increased to 25% and as of 2024 – was set at 30%.<sup>16</sup>

Further initiatives have sought to bolster MSMEs and support them to grow and penetrate new markets. For example, recently, the Indonesian Export Financing Agency has introduced a new scheme, in partnership with PT Asuransi Asei, to help support SME exporters through the introduction of a new credit insurance for SME exporters. Under this scheme, export-oriented SMEs are provided with easier access to financing, insurance for export activity and consulting services as well – in a bid to boost the ability of Indonesian businesses that are able to export.<sup>17</sup>

Government support has also been provided in through a loan programme - Kredit Usaha Rakyat, made available for MSMEs, where they do not have collateral or who do not have sufficient collateral. Under the scheme, micro size enterprises could apply for finance which were provided through banks at highly favourable levels of interest. While specific regulatory or policy provisions to promote and encourage female entrepreneurship are lacking, an entrepreneurship unit was created in 2021, by the Ministry for Cooperatives and SMEs, in order to deliver policymaking coordination in relation to entrepreneurship, including women's entrepreneurship.

### Case study 1: Indonesia's risk-based licensing reform

#### A new approach to business licensing

The impacts of the risk-based licensing reform in Indonesia have been assessed in order to explore:

- *Whether this has resulted in an increased number of MSMEs being licensed? What sectors /business types have seen an improvement?*
- *Has there been a noticeable impact on women-led business licensing? If not, what barriers remain? Could these be overcome?*

To simplify business licensing requirements, the Job Creation Omnibus Law in Indonesia, introduced in 2021, mandated the adoption of a new approach called the **Risk-Based Approach**. Under this approach, the number of licenses and permits issued by the government is based on the business risk level determined by potential hazards. This, as for other initiatives, was expected to increase total investments, making it easier to do business..

Further, the reform sought to encourage MSMEs to register and therefore enter into the formal economy. It should be noted the risk-based licensing reform is not a gender-specific policy but was expected to have a significant impact on women, based on the high proportion of non-registered micro and small enterprises that are owned by females.

<sup>15</sup> Makarim and Taira S. (2021). *The new regulation on government procurement of goods and services*. Available at: [https://www.makarim.com/storage/uploads/10561d7c-a70a-47bc-a975-bbff07d47cc1/831297\\_Mar-2021---Issue-2---The-New-Regulation-on-Government-Procurement-of-Goods-and-Services.pdf](https://www.makarim.com/storage/uploads/10561d7c-a70a-47bc-a975-bbff07d47cc1/831297_Mar-2021---Issue-2---The-New-Regulation-on-Government-Procurement-of-Goods-and-Services.pdf) (accessed 14 July 2024).

<sup>16</sup> Isjwara, R. (2021). Indonesian banks seek non-lending routes to boost exposure to small companies. Available at: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/indonesian-banks-seek-nonlending-routes-to-boost-exposure-to-small-companies-67004272> (accessed 7 July 2024).

<sup>17</sup> Jakarta Post.com (2023). *Finance Ministry supports SMEs in reaching global markets*, <https://www.thejakartapost.com/business/2023/11/09/finance-ministry-supports-smes-in-reaching-global-markets.html> (accessed: 26 July 2024).

Under the new approach – the government assesses the scale of potential hazards of the business activity (operation) related to health, safety, environment, utilization, and management of natural resources. Hazards are classified into four categories: unlikely, probable, possible, and likely. Businesses are categorised by their activity code and across 16 sectors and into different risk levels:

- Low risk businesses
- Medium low-risk businesses
- Medium high-risk businesses
- High risk businesses

### **The rationale for the intervention (barriers to entrepreneurship)**

Historically, Indonesia's business licensing regime has been strict, requiring investors to obtain various licenses and permits before starting a business. However, this approach introduced complexities and hurdles. Previously, a discretionary 'command and control' approach to business licensing was in place which was deemed as a block on entrepreneurialism which resulted in barriers and was flawed through the application of inconsistent standards.<sup>18</sup> The reform sought to make it easier to do business in Indonesia. In 2022, the Ministry of Investment highlighted that it took on average 19.6 days to start a business in Indonesia, compared with 4.5 days in Thailand and 1.5 in Indonesia.<sup>19</sup>

Further, given the discretionary nature of the previous business licensing approach, it was vulnerable to corruption. The new system aimed to speed up the licensing process for the enterprises thought to be low risk, under a 'trust but verify' approach. Additionally, in order to help smaller enterprises grow, the reform sought to encourage MSMEs into the formal sector. In delivering a new system operationalised through ICT, the reform also set out to offer leaner and more effective public administration that also reduced regulatory compliance costs through the reduction/elimination of contradictory inspection visits.<sup>20</sup>

To simplify business licensing requirements, the Job Creation Omnibus Law (Omnibus Law) mandated the adoption of a new approach called the Risk-Based Approach. Other countries, including the United Kingdom and Australia, have successfully implemented similar risk-based approaches in their licensing processes.

### **Implementation and results of the intervention for MSMEs and WEE – Reported impacts**

Interview feedback, provided by a senior official within the Ministry of SMEs in Indonesia, a former senior official within the Ministry of Economic Affairs and an editor of a prominent online media outlet focused on MSMEs, on the implementation and impact of the risk-based approach to business licensing highlighted:

- 9.2 million MSMEs have registered through the system since its inception in 2021 – these enterprises can now apply to banks for finance in order to grow.
- The risk-based approach links to an Online Single Submission system through which businesses can once also submit for compliance recognition with halal standards and Indonesian National Standard (SNI) , in parallel, which improves efficiency.
- The process can, depending on the type of licensing concerned, entail longer-term demands. In some instances, once the businesses has been registered, a further distribution license can be required, overseen by local government, which can take up to two years to be granted.

<sup>18</sup> Indah, L. (2021). *Risk based reform in Indonesia: A first takeaway and possible next steps*, Coordinating Ministry for Economic Affairs Republic of Indonesia, <https://britcham.or.id/wp-content/uploads/2021/08/LESTARI-INDAH-RISK-BASED-REFORM.pdf> (accessed: 26 July 2024).

<sup>19</sup> Hassanah, S. (2024). *Risk-based approach: a strategy to improve the ease of starting a business and cooperation with ASEAN countries*. Medium.com, <https://lia-hassanah.medium.com/risk-based-approach-a-strategy-to-improve-the-ease-of-starting-a-business-and-cooperation-with-db0f5c5ae8fc> (accessed: 26 July 2024).

<sup>20</sup> Indah, L. (2021). *Risk based reform in Indonesia: A first takeaway and possible next steps*, Coordinating Ministry for Economic Affairs Republic of Indonesia, <https://britcham.or.id/wp-content/uploads/2021/08/LESTARI-INDAH-RISK-BASED-REFORM.pdf> (accessed: 26 July 2024).

- Various delays can be encountered by businesses – and there are various charges that are required as well. Some businesses weigh up the risk of being identified as a non-registered business and face penalties, vis-à-vis the costs that they would be required to pay in order to formally register as a business entity. Though it should be noted that taxation can also be levied against non-registered businesses.
- Barriers to implementation have been highlighted and the system does not operate in a uniform manner across regions and localities. In some remote areas, the infrastructure can be lacking and there is a need for training and support for women, particularly in relation to digital skills.

Some of these points were validated through literature. The risk-based approach was found, to an extent, to still result in long processing times and what could be prohibitive costs to obtain permits.<sup>21</sup> And in terms of implementation, not all regions are equally capable to deliver on the initiative. Further research demonstrates that effective implementation process of the risk-based approach is contingent on availability, readiness, and compatibility of regional regulation with existing regulation at the central government.<sup>22</sup>

A number of further steps are necessary in order to help deliver successful implementation. Further research found that training and outreach support, for public officials and the broader community, is required.<sup>23</sup> Overall, not all regions will hold the same capacity to implement the risk-based approach to licensing. Rural areas in particular may lack sufficient ICT capacity.

### MSMEs

In summary, the policy has been successful in encouraging MSMEs into the formal sector, with millions of enterprises having taken this step since the reform was introduced. At a macro-level, this provides the impetus for the economy to grow as the government can then seek to help these businesses to grow; and then, as newly formalised businesses, they are able to apply for finance, have more leverage for future growth.

This notwithstanding, application of the reform can be variable and in some areas, for certain types of business, there are still regulatory and financial costs that may deter businesses from engaging with the reform. Given the highly diverse nature of Indonesia, implementation has been variable.

### WEE

While the risk-based approach to licensing is not a gender-based policy, women entrepreneurs, who predominantly head-up micro and small sized businesses, will have been positively impacted positively by the regulation.

### Conclusions

The Risk-Based Approach aims to attract formalization and more investment by simplifying licensing procedures

In summary, Indonesia's move toward risk-based business licensing reflects a strategic effort to streamline processes and encourage investment. While it has been successful in delivering on its aims, its application and benefits are not consistent.

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<sup>21</sup> Damayanti, M., et al. (2023). Implementation of online single submission risk based approach (OSS-RBA) policy in business licensing, [in:] *Indonesian Journal of Multidisciplinary Science*, <http://eprints2.ipdn.ac.id/id/eprint/1337/1/Romli%20Implementation%20of%20online%20single%20submission%20risk%20based%20approach.pdf> (accessed: 26 July 2024).

<sup>22</sup> Anggunsuri, U., Zahara, Z. (2023). *Transition of online single submission (OSS 1.1 to risk-based approach) to increase investment in West Sumatera*, *Jurnal Hendikia Hukum*, vol. 8, no. 2, <https://e-jurnal.stih-pm.ac.id/index.php/cendekeahukum/article/view/617> (accessed: 26 July 2024).

<sup>23</sup> Erdiawati, N. (2023). *Implementation of risk-based business licensing in providing investment ease for business players*, *International Journal of Business, Economics and Law*, Vol. 30, Issue 1, [https://ijbel.com/wp-content/uploads/2023/11/IJBEL30.ISU1\\_304.pdf](https://ijbel.com/wp-content/uploads/2023/11/IJBEL30.ISU1_304.pdf) (accessed: 26 July 2024).

### Lessons learned

- It is vital to work collaboratively with regional and local tiers of government.
- Clarity of purpose is required between the discrete tiers of government engaged.
- Capacity will not be consistent across authorities – with support required to build up capacity for localities who lack the infrastructure required to implement an ICT-based system.
- Public officials need to be supported and assisted through training programmes.
- Outreach programmes that help to build up digital skills for women, in rural areas, are needed to foster greater engagement.

### 2.1.2 Barriers and opportunities for MSMEs growth and development

High levels of informality, with many MSMEs, particularly micro-organisations choosing to remain outside of the formal economy, is a significant barrier to their opportunities for development, as highlighted through stakeholder consultations with a government official at the Ministry of Economic Affairs, and a Partner at a venture capital firm. The risk-based approach to business licensing, which was introduced in 2021 and features as a case study in this chapter, was partly introduced in order to encourage non-registered businesses to enter into the formal economy. While the case study outlines the progress achieved towards this objective in more detail, there is still progress to be made in encouraging more MSMEs to enter into the formal economy. Apprehension about the need to pay additional taxes is a significant impediment to MSMEs formally registering, as highlighted through stakeholder consultation.

Further stakeholder consultation – with a Micro Economist at the University of Sydney - highlighted that, although MSMEs make up 99% of the overall businesses in Indonesia, they contribute only 15% of overall exports – indicating that they predominantly operate within the ‘interior’ economy of the country. Often, MSMEs are enterprises in the food and beverage sector. To this end, it is important that policy recognises the diversity of MSMEs. As stakeholder consultation identified, including feedback provided by the Executive Director of an organisation with a mission to work towards women empowerment in Indonesia, a large swathe of micro enterprises are ‘sole traders’, women, who, out of necessity, have created a small business, which can often be operationalized from their own home while their husbands are separately engaged in formal employment. There can be limited entrepreneurial aspiration with regard to these types of micro enterprises. This stands in contrast with other small businesses, that may have aspirations to grow, and for which different forms of regulatory policy will be necessary.

Where businesses exist outside of the formal economy, they cannot benefit from government support, or apply to finance from banks or other – this has clear implications for their developmental opportunities, a point highlighted within stakeholder consultation. Again, regulatory policy will need to distinguish between micro enterprises that exist for the purposes of subsistence and those that have aspirations to grow.

For the latter, to help the businesses develop and grow - providing increased exposure and connectivity to the supply chains of larger industrial players, presents and opportunity, as highlighted through stakeholder consultation. There are initiatives already in place that seek to advance this goal, although, as highlighted through stakeholder consultation, a Partner at a venture capital firm, this provision is predominantly set out within the CSR activity of large firms. Going forward – a more sustained approach to further develop supply chain eco-systems, to be more inclusive of SMEs, could provide greater opportunities for growth. MSMEs who seek to enter into new markets and grow will find this challenging, given that the competition will become much stronger and include the influence of products and goods from international countries, not least China. Notwithstanding these

difficulties, the broadening of supply chains does represent a viable opportunity through which MSMEs can increase their scope and engage with developmental opportunities.

Further, logistical and technical barriers were highlighted through stakeholder consultation. There can be significant disparities, from a regulatory perspective, across regions and localities. Given its vast territory, some areas of Indonesia are highly remote, with certain provinces host to thousands of islands. This presents logistical barriers, not least in regard to the roll-out of ICT infrastructure. Those areas of a more remote nature are more likely to have lower overall levels of digital inclusion, which does impact on the functioning of MSMEs.

## 2.2 WEE in Indonesia

### 2.2.1 Aspects of governance and regulation in the WEE context

There is not a cross-government strategy in place that seeks to address women's economic empowerment in Indonesia. However, recently, some signs of further development have highlighted that there will be more of a focus on the specific challenges that women face. Indonesia has also integrated gender budgeting into its national development planning in the past, focusing on sectors like education, health, and social protection.<sup>24</sup>

The issuance of the new Presidential Regulation (Perpres No. 2/2022) on National Entrepreneurship Development for 2021–2024 has been a significant policy development. The overarching goal of the presidential regulation is to increase the level of entrepreneurial activity in the country (number of new start-ups, new young entrepreneurs) and innovative MSMEs. As highlighted through stakeholder consultation, women entrepreneurs are highlighted as one of the key pillars within the regulation, alongside social entrepreneurs, tech-entrepreneurs, youth entrepreneurs and rural entrepreneurs. The regulation sets out a goal to increase the contribution of women towards the growth of the economy.

Further, broad undertakings have been put into motion that could support female entrepreneurship, such as the drive to promote inclusivity of gender and monitor the participation of women in government development programmes - stated as a priority in the National Medium-Term Strengthening Women's Entrepreneurship in National Micro, Small and Medium Enterprises Policy and Action Plans 45.<sup>25</sup>

Stakeholder consultation – with an editor of a prominent online media outlet focused on MSMEs - highlighted that changes to the legal requirements to begin a limited liability company, which have shifted recently to allow this form of business to be started by a sole individual, whereas previously a minimum of two people were required. It was stated that this has benefits for women who can more easily develop a business outside of their marriage arrangements.

### 2.2.2 Barriers and opportunities for WEE

Stakeholder consultations, including with an academic at the University of Melbourne, have highlighted a number of persistent barriers that hold women back from increased economic empowerment. The significance of prevailing socio-cultural norms, and the limitations they can impose on women, were highlighted by a number of interviewees. Predominantly, women adopt the role of primary carers within their household. Cultural expectations pertaining to the role of women within society can be deeply ingrained. Under the New Order Administration in Indonesia, which ruled

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<sup>24</sup> In 2012, the government of Indonesia developed a National Strategy to Accelerate Gender Mainstreaming through Gender Responsive Planning and Budgeting, which was launched in 2012. The plan requires Government ministries and agencies to produce a GBS, specifying specific activities and measures to address gender gaps defined in their analysis

<sup>25</sup> ASEAN (2022). Strengthening Women's Entrepreneurship in National Micro, Small and Medium Enterprise Policies and Action Plans, Toolkit for Policymakers, <https://asean.org/wp-content/uploads/2022/11/FINAL-Policy-Toolkit-Strengthening-Womens-Entrepreneurship-in-MSME.pdf#page=53&zoom=100,0,0> (accessed 26 July 2024).

between 1966-1998, the notion of kodrat was promoted, which established normative expectations of femininity and masculinity, under which women's roles were understood as housewives and family nurturers.

Women entrepreneurs and owners of MSMEs are also disadvantaged by a lack of access to credit, which impairs business growth and limits opportunities for enhanced economic empowerment. This has been a persistent challenge for women in Indonesia. Stakeholder consultations did however indicate that the situation is improving and that more opportunities to access credit are opening up. This notwithstanding, women are still disadvantaged by the need to provide high levels of collateral in order to access available credit.<sup>26</sup> Given that within marriages, assets are typically registered under the husband's name, women can struggle to meet the terms required in order to access credit. As one interviewee highlighted, it can also be the case that women lack an official marriage certificate in order to access credit – and more broadly, some assets simply are not registered at all. All of these factors can prevent women from entering into the mainstream financial system which is a critical foundational step to developing micro-enterprises further.

Stakeholder consultation – with a Partner at a venture capital firm – also highlighted that there are limited examples, in relation to prominent and successful women entrepreneurs, to help to encourage other women to develop further, from an entrepreneurial standpoint. More women in visible leadership positions would help to encourage women entrepreneurs in Indonesia.

Additionally, stakeholder consultation - with the Executive Director of an organisation with a mission to work towards women empowerment in Indonesia - outlined how women MSME owners struggle to grow and often remain limited in scope. A 'missing middle' was referred to in this regard, in which businesses struggle to graduate and expand – this disproportionately affects women business owners, particularly of micro enterprises. The notion of a 'missing middle' can be linked to lacking access to credit and is not uncommon among developing countries.<sup>27</sup>

Further barriers that are familiar to women in developing countries were highlighted through stakeholder consultation, as well as being prominent within literature review. These include:

- lacking access to relevant networks
- lacking access to markets
- lack of know-how and connections
- barriers in relation to lacking digital skills

These barriers are often more acute in rural areas. Lacking access to business-skills development services, near to local areas is a particular challenge. A study conducted by the World Bank indicated that only 12% of 1,633 Indonesian women entrepreneurs in micro and small enterprises had received any business skills-development training. A lack of demand was not the key driver behind this but instead a lack of information and communication concerning the opportunities.<sup>28</sup>

As highlighted, women in Indonesia face barriers in obtaining credit. Stakeholder consultation – with a Partner at a venture capital firm and an academic at the University of Sydney – identified an important role for microfinance in helping to bridge this barrier. By its nature, microfinance is much

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<sup>26</sup> Dea, V. (2019). *An Overview of Support for Women Entrepreneurs in Indonesia and Canada: Focus on SMEs and Start-Up*, Indonesia Canada Chamber of Commerce, [An-Overview-of-Support-for-Women-Entrepreneurs-in-Indonesia-and-Canada.pdf \(angin.id\)](#) (accessed: 26 July 2024).

<sup>27</sup> Khan, A. (2014). *The SME missing middle problem in developing countries and its link to lack of financing. The case of Bangladesh*, Major Research Paper, Master of Arts in International Development and Global Studies, University of Ottawa, <https://ruor.uottawa.ca/server/api/core/bitstreams/0e4e9b42-b81f-4b96-9c83-edfd711f8d52/content> (accessed: 26 July 2024).

<sup>28</sup> Dea, V. (2019). *An Overview of Support for Women Entrepreneurs in Indonesia and Canada: Focus on SMEs and Start-Up*, Indonesia Canada Chamber of Commerce, [An-Overview-of-Support-for-Women-Entrepreneurs-in-Indonesia-and-Canada.pdf \(angin.id\)](#) (accessed: 26 July 2024).



more unsecured, which can obviate the difficulties that women encounter in seeking finance through other channels who often require high levels of collateral. Microfinance can also reduce transaction costs which can serve as a barrier to women, particularly in more remote localities. Evidence has shown that the Mekaar microfinance initiative in Indonesia has been successful, with 61% of individuals who have used the system able to increase their revenue and 48% experiencing an increase in assets subsequent to receiving financing.<sup>29</sup>

Further initiatives were highlighted, through stakeholder consultations, with a member of staff from an investment network, of women's groups acting collectively to help solve the collateral issue. These included women farmers within villages who come together to support one another financially, through the provision of finance.

Additionally, stakeholder consultation, with a member of staff from an investment network, revealed an emerging market for gender focused financial instruments. These instruments include women focused credit, and are increasingly provided by some of the larger banks such as CIMB Niagara. Other similar offers include BTPN Syariah Bank, which has developed tailored offers for women borrowers in Indonesia.<sup>30</sup>

### 2.3 Monitoring the impacts from RR in Indonesia

Stakeholder consultation – with the Indonesian Ministry for MSMEs and Cooperatives – highlighted that since the introduction of the risk-based approach to licensing, 9.2 million businesses had registered on the system to obtain official registration.

Beyond this overall figure, across the literature, there is more limited information regarding the impacts of RR. Though at a local level some studies have identified positive impacts. For example, a study conducted in Medan City showed that after implementation there was a 123% increase in the food and beverages service sub-sector, by June 2023, some two years after the new system was introduced. In these two years, this equated to 673 restaurants, 745 drinking houses/cafes, and 85 bars newly registered via the Online Single Submission (OSS) application in the tourism sector.<sup>31</sup>

The Directorate of Business and Investment has released data related to business licensing in the Risk-Based Fish Processing sub-sector since the implementation of the OSS RBA system. A total of 149 foreign investment companies (PMA) have been issued through Online Single Submission (OSS), these companies come from various countries such as China, Singapore, Japan, South Korea, Thailand, Taiwan, to Malaysia. From 2019 to 2022 the investment value reaches Rp. 8,609,716,950,871. The investment is distributed throughout Indonesia, with the largest percentage of investment distribution in East Java Province, which is 28%.<sup>32</sup>

Further, data from the Ministry of Maritime Affairs and Fisheries of the Republic of Indonesia has noted that since the release of the OSS RBA system, projects in the Processing Sub Sector in the period August 2021-July 2022 have experienced an increase in investment. A total of 227 Foreign Investment (PMA) projects with an investment of Rp. 7.7 trillion able to absorb a workforce of 26,803 people.

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<sup>29</sup> World Economic Forum (2024). *How a pioneering microfinance initiative is boosting Indonesia's women entrepreneurs*. Available at: <https://www.weforum.org/agenda/2024/01/microfinance-women-indonesia-mekaar/> (accessed 7 July 2024).

<sup>30</sup> International Finance Corporation (2019). *This Indonesian bank puts financing for women on the menu*. Available at: <https://www.ifc.org/en/stories/2010/indonesian-bank-financing-women> (accessed 7 July 2024).

<sup>31</sup> Farosa, D., Badaruddin, B., Irmayani, T. (2024). The Influence of Implementing Risk-Based Business Licensing (OSS RBA) on Investment Growth in the Food and Beverage Services Subsector in Medan City, [in:] *Perspektif*, 13(1), 200-211. DOI: 10.31289/perspektif.v13i1.10777.

<sup>32</sup> Erdiawati, NK. (2023). *Implementation of the risk-based business licensing in providing investment ease for business players*. Available at: [https://ijbel.com/wp-content/uploads/2023/11/IJBEL30.ISU1\\_304.pdf](https://ijbel.com/wp-content/uploads/2023/11/IJBEL30.ISU1_304.pdf) (accessed 7 July 2024).

While Domestic Investment (PMDN) there are 10,136 projects with an investment value of Rp. 18.7 million.<sup>33</sup>

There are some disaggregated data being collected in Indonesia as a result of earlier efforts on gender budgeting. However, this is rather limited. The PEFA (Public Expenditure and Financial Accountability)<sup>34</sup> assessment of Gender Responsive Public Financial Management (GRPFM) in Indonesia made further recommendations to enhance the effectiveness of gender budgeting. These included improving data collection, training officials, and strengthening the monitoring and evaluation.

### 2.4 Emerging recommendations for Indonesia

There are a number of departments and government agencies in Indonesia which are responsible for MSMEs and WEE. These include the Department for Cooperatives and SMEs. Other central government departments of relevance include the Ministry of Trade, and the Ministry of Women Empowerment and Child Protection (Kemen PPPA). The latter is responsible for seeking to increase women's empowerment through entrepreneurship, with this being one of four priority areas to be addressed between 2020 and 2024.<sup>35</sup>

#### 2.4.1 Recommendations on MSMEs and RR in Indonesia

There has been a policy emphasis on supporting MSMEs to scale and grow, within Indonesia. The most significant intervention has been the risk-based approach to business licensing. It included a key objective to support more businesses to enter into the formal sector. As formal businesses, MSMEs are then better able to grow and potentially scale. The policy has been a success with over nine million MSMEs having registered since its launch. There have been a number of operational challenges however. Some of the difficulties are likely to beset prospective regulatory initiatives, given its territorial breadth and diversity. With regard to MSMEs, the following recommendations are provided.

- In helping MSMEs to scale, larger companies could be further mandated to include SMEs within their supply chains, beyond activity which is currently provided under Regulation 10 of 2021 PR, which mainly falls under the CSR responsibilities of larger companies. This would provide exposure and scope to grow, for these businesses. Government financing should be made available, to support both the larger companies and MSMEs, in this endeavor.
- The risk-based approach to licensing highlighted that regional collaboration is required in order for the initial impetus of the regulation delivered at a national level to have impact throughout varied localities. The degree to which collaboration at regional and local tiers of governance is achieved will depend on many factors, including the overarching tenor of the relationship between the centre and periphery. Different mechanisms can be put in place to engender consistent implementation, an active task force could be considered, to help assist various localities in delivering the reform.

#### 2.4.2 Recommendations for WEE and RR in Indonesia

A number of recommendations could be put forward for regulatory reform for WEE in Indonesia:

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<sup>33</sup> Erdiawati, NK. (2023). *Implementation of the risk-based business licensing in providing investment ease for business players*. Available at: [https://ijbel.com/wp-content/uploads/2023/11/IJBEL30-ISU1\\_304.pdf](https://ijbel.com/wp-content/uploads/2023/11/IJBEL30-ISU1_304.pdf) (accessed 7 July 2024).

<sup>34</sup> The Public Expenditure and Financial Accountability (PEFA) program was initiated in 2001 by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom.

<sup>35</sup> KemenPPPA. (2022, August 12). *Kemenpppa: perkuat komitmen implementasi stranas penghapusan kekerasan terhadap anak*. Siaran Pers Nomor: B-413/SETMEN/HM.02.04/08/2022. <https://www.kemenpppa.go.id/index.php/page/read/29/4050/kemenpppa-perkuat-komitmen-implementasi-stranas-penghapusan-kekerasan-terhadap-anak>

- Develop alternatives to collateral requirements in order to boost the advance of credit. Outreach to growth-oriented women entrepreneurs can be developed through the upscaling of micro finance institutions (MFIs) in order to provide more significant loans. Additionally – women-tailored insurance products can also be effective and profitable.<sup>36</sup>
- Assist in the growth of small and medium-sized enterprises. This can in part be developed thorough the implementation of a more rigorous gender lens within the investment landscape. A more gender-sensitive investment eco-system can be developed through the mandating of gender lens approaches among investors.
- Through the championing of role models, women’s economic empowerment can be advanced. Providing greater visibility for women in leadership roles and as successful entrepreneurs can help counter the impact that certain social norms may have on young women, regarding their opportunities.
- The provision of detailed data across a range of indicators relevant to WEE in Indonesia is currently lacking on a disaggregated basis. To inform future policy decisions, Government should ensure that disaggregated data is made available. This will also help with gender budgeting.

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<sup>36</sup> The World Bank (2016). *Women entrepreneurs in Indonesia*. Available at: <https://documents1.worldbank.org/curated/en/738881467782741648/pdf/AUS5568-P147245-PUBLIC-WomenEntrepreneursinIndonesia-1.pdf> (accessed 7 July 2024).

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## 3 Country study: Malaysia

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### 3.1 MSMEs in Malaysia

MSMEs are an essential part of the Malaysian economy. Figures from 2020 show that MSMEs accounted for 97.2% of total business establishments in Malaysia and contributed 38.2% to the country's Gross Domestic Product (GDP). These enterprises provided employment for approximately 7.3 million people, constituting a substantial portion of the country's workforce (OECD, 2020). As for micro enterprises, some figures suggest that these represent 76.3% of the total SMEs in Malaysia. Micro-enterprises are defined as those SMEs with less than 5 employees, but there are differences between the manufacturing and service sector for SMEs.<sup>37</sup>

A majority of MSMEs operated in the services sector (85.5%), followed by construction (7.4%), manufacturing (5.1%), agriculture (1.7%), and the remaining 0.3% are found in the mining and quarrying sector (OECD, 2020).

A distinct feature of the Malaysian SME landscape is the focus on Bumiputera entrepreneurs, which represent around 50% of the country's SMEs. Bumiputera refers to the diverse ethnic or indigenous community in the country, such as the Malays, Orang Aslis and natives from Sabah and Sarawak. A number of programmes and initiatives have been introduced to encourage the growth of SMEs that fall under this category.

#### 3.1.1 Regulatory reform in the MSME context

The Malaysian government has implemented strategic programs and financing facilities to empower MSMEs, enabling them to survive and grow beyond the challenges posed by the COVID-19 pandemic.

The creation of the National SME Development Council (NSDC) back in 2004 demonstrated the government's commitment to SME development. The NSDC, chaired by the Prime Minister, brought together 14 ministries and three agencies to oversee policy development and coordination for effective implementation. The SME Corporation is the agency in charge of formulating and coordinating policies and strategies for SMEs, and operates under the Ministry of International Trade and Industry.

A number of regulatory reforms have also been undertaken to assist companies and facilitate businesses processes. For instance:

- In 2007, Malaysia launched the Modernising Business Regulation (MBR) program. This initiative aimed to enhance productivity and competitiveness by modernizing the business regulatory structure.
- The establishment of the Special Task Force to Facilitate Business (PEMUDAH) in the same year fostered private-public sector collaboration, focusing on improving public service delivery.
- The National Policy for the Development and Implementation of Regulations (NPDIR) was introduced in 2013. It standardized and improved the overall regulatory process, emphasizing transparency, accountability, and collaboration between public and private entities.

Several documents have been developed to support policymakers and regulators to implement the NPDIR, namely: the Guideline on Reducing Unnecessary Burden, the Best Practice Regulation

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<sup>37</sup> Lim, Y. S., Rubiyanti, N., Ng, T. H., Widodo, A., Zhee, L. Y., Silvianita, A. (2024). Social Media Marketing for Micro-enterprises in Malaysia: Branding for the Future? [in:] N. Mansour, L. Bujosa, (eds) *Islamic Finance. Contributions to Management Science*, 567-577, Springer, Cham, DOI: 10.1007/978-3-031-48770-5\_45.

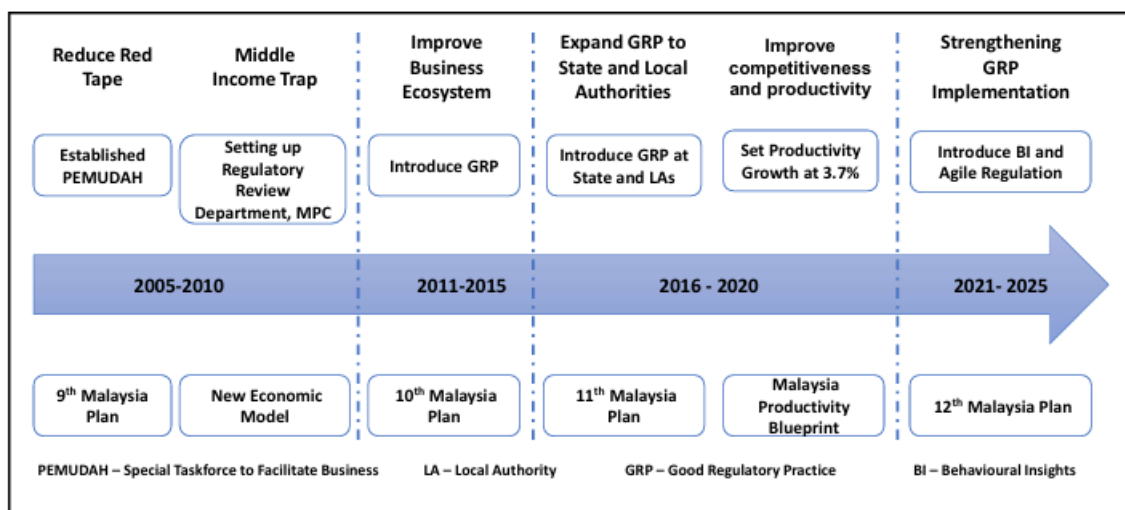
Handbook, a Quick Reference Best Practice Regulation Handbook, and the Guideline on Public Consultation Procedures (Malaysia Productivity Corporation, 2013, in OECD, 2018).

In 2014 and 2015, a specific programme to reduce regulatory burden was also initiated. 23 regulatory burden reduction activities were carried out for specific industries such as construction, healthcare, logistics, and oil and gas and other issues related to the movement of goods and registration requirements. These activities were considered to generate around MYR 2.5 billion in savings (Malaysia Productivity Corporation (MPC) 2016, in OECD, 2018).

While there is not a separate regulatory policy specifically directed at SMEs, the 2017 National SME Bill further facilitated oversight of SME policies and programs. The Bill aimed to complete the realisation of the SME Master Plan (2012-20) launched by the government in July 2012. The SME Master Plan intended to create a conducive ecosystem to accelerate the growth of SMEs towards achieving a high-income economy. The plan covered all sectors, regions, and strategic areas, complementing the existing national economic strategies and outlining 32 measures and 6 high impact programmes that would help achieve the 4 strategic goals of the SME Master Plan (OECD, 2018).

In July 2021, the NPSIR was replaced with the National Policy on Good Regulatory Practice (NPGRP) that includes Behavioural Insights to provide alternative for the regulator in considering a non-regulatory approach.

**Figure 1: Malaysia regulatory reform journey**



Source: MPC (2022)

Recognising the importance of SMEs and to reverse the effects of the pandemic, the Malaysian government has also set a number of measures to enhance their performance, such as facilitating access to finance, training programmes to promote digital literacy and innovation, facilitating entry into local and international markets, etc. The Malaysian Code on Governance for MSMEs provides guidance on best practices for SMEs (MICG, 2024) and it emphasizes transparency, accountability, and sustainable business practices.

In 2022, the Malaysia External Trade Development Corporation (MATRADE) conducted 16 sustainability exports-related programmes for Malaysian companies along with other initiatives to support MSME penetration of the global market, with one including women empowerment. In 2022, MATRADE conducted the Benchmarking Programme: Mid-Tier Companies and MSMEs to serve as an interactive knowledge-sharing platform with the theme of women empowerment and sustainability. 50 people participated in the programme which was held in Johor Bahru.

### Programmes supporting MSMEs in Malaysia

A total of 231 programmes with financial expenditure amounting to RM17.8 billion were reported for 2022.

These programmes that were implemented by 15 Ministries, six Sole Agencies and 52 Agencies has benefited 807,556 MSMEs. In 2022, human capital development was the focus area that implemented the highest number of programmes with 95 programmes (29.0%). These programmes utilised a total of RM 3.9 billion and benefitted 213 539 MSMEs. Meanwhile, access to financing programmes received the main bulk of the funding amounting to RM16.5 billion to implement 90 programmes (27.4%) that benefitted 540 248 MSMEs. In order to facilitate MSME access to markets, 57 programmes (17.4%) were implemented during the year with an expenditure of RM 116.4 million and benefitted 72 685 MSMEs. The balance (26.2%) of programmes were in other focus areas, namely innovation & technology adoption and infrastructure.

**Table 3: Summary of Programmes in 2022 by Focus Area**

Table 1: Summary of Programmes in 2022 by Focus Area

Focus Area	Number of Programmes		Financial Expenditure		Number of MSME Beneficiaries	
	Total	Share (%)	RM million	Share (%)	Total	Share (%)
Human Capital Development	95	29.0	3,880.0	18.3	213,539	21.4
Access to Financing	90	27.4	16,490.0	77.9	540,248	54.1
Market Access	57	17.4	116.4	0.6	72,685	7.3
Innovation & Technology Adoption	45	13.7	575.2	2.7	63,935	6.4
Infrastructure	41	12.5	100.8	0.5	107,920	10.8

Note: Similar programmes may cater for multiple focus area

Malaysia has been progressively searching for new ways to encourage SMEs to adopt and use new technologies, as a way to help SMEs connect better with their clients and increase their potential of increasing their client base. The SME Hub, formerly known as One Referral Centre, is a platform operated by SME Corp. Malaysia and serves as a one-stop shop for SMEs to access information on various business aspects (start-up, access to finance, industry development and market access, etc.) both online and offline. At present, the SME Hub is rolled out in almost all states and an SME Hub-on-wheels has also been developed as a way to further reach out to SMEs in the rural areas.

More initiatives are also being introduced to improve regulatory delivery with a focus on compliance, enforcement and inspection activities. For example, the government has introduced a number of programmes and informational sessions to improve the capacity of businesses – notably SMEs – to comply with new regulations. These initiatives have been introduced with support from academia as well as from industry.<sup>38</sup>

#### 3.1.2 Barriers and opportunities for MSMEs growth and development

Consultation with stakeholders for this study has however revealed that access to finance remains a particular barrier to MSMEs. Other barriers include risk management, digitalisation and awareness of

<sup>38</sup> OECD (2018). Malaysia, in: *Good Regulatory Practices to Support Small and Medium Enterprises in Southeast Asia*, OECD Publishing, Paris, DOI: 10.1787/9789264305434-9-en.

support programmes. In **Malaysia**, financial barriers remain a major issue, according to consultation. In particular:

- Banks see SMEs as high-risk borrowers because they are small and often unstable. This results in high-interest rates and strict loan conditions.
- SMEs often have to use personal assets as collateral for loans, increasing the financial risk for business owners.
- The lack of detailed financial information about SMEs makes it hard for banks to assess their creditworthiness accurately. Also, they lack the knowledge to develop business plans. Without a clear and detailed business plan, SMEs struggle to convince lenders of their viability and growth potential, making it difficult to obtain loans. This includes the lack of skilled personnel who understand financial management and credit risk.<sup>39</sup>
- Many SMEs in Malaysia are family-owned (60-70%), and they avoid raising money through equity because it means giving up some control over the business.

Other barriers highlighted in the literature include non-financial barriers. The OECD report on GRP notes that non-tariff barriers, particularly linked to specific standards, impede the growth of Malaysian SMEs into the global value chains (GVCs). Often, this is linked to the lack of capacity from SMEs to be able to cope with emerging standards and labelling requirements that need to be met from trading or potential trading partners. Nonrecognition of certain standards, labelling requirements, as well as importing requirements can create significant burden among SMEs that are willing to grow and export abroad (OECD, 2018). To support potential exporters, the Malaysia External Trade Development Corporation (MATRADE) provides support and has provided a number of guides. Data for 2022 show that, in the first 11 months of 2022, MATRADE facilitated 2,266 companies through its Market Development Grant; 486 companies through the eTRADE 2.0 programme; trained 7,999 individuals through its exporters training programmes; assisted 2,681 companies to access into the global markets through various export promotion activities implemented namely participation in trade fairs, international sourcing programmes, eBizMatch as well as eBizLink programmes.<sup>40</sup>

Consultation has also highlighted other barriers, such as ambiguous and inconsistent policy goals and complex and fragmented institutional arrangements. Institutional arrangements can include the rules, norms, roles, relationships among the different stakeholders involved in the policy implementation, such as central and local Governments, public and private sectors, NGOs and community groups. If the institutional arrangements are complex or fragmented, they can create coordination problems, accountability issues, or power struggles among the implementers and the beneficiaries. To address this, *policy makers should establish clear and coherent institutional frameworks that define the roles, responsibilities, and expectations of each stakeholder and foster collaboration and clear communication among them.*

It was highlighted by interviewees that the government helps greatly MSMEs, especially with policies to lower the tax regimes of smaller businesses, which is greatly appreciated (<https://www.ekonomi.gov.my/ms/pembangunan-ekonomi/dasar/dasar-dasar-utama/perusahaan-kecil-dan-sederhana-pks>). However, other steps could be taken to protect the growth of these companies. For example, it was noted that the possibility to waive the minimum wage for smaller companies could be useful, while the company developed and grew their customer base. After

<sup>39</sup> Wee, M., Zaki, K. M., Sadik, M. Z., Marmaya, N. H., Razak, N. A. (2019). The challenges faced by Malaysian Small Medium Entrepreneurs (SMEs) in export initiatives. [in:] *ASEAN Entrepreneurship Journal (AEJ)*, vol. 5. no. 2., 43848.pdf (uitm.edu.my).

<sup>40</sup> The Official Portal of Malaysia External Trade Development Corporation (2022). *Making Malaysia Great in Trade*, Press Releases 2022, <https://www.matrade.gov.my/en/about-matrade/media/press-releases/press-releases-2022/207-press-release-2022/5808-making-malaysia-great-in-trade#:~:text=In%20the%20first%2011%20months%20of%202022%2C%20MATRADE,sourcing%20programmes%2C%20eBizMatch%20as%20well%20as%20eBizLink%20programmes> (accessed: 26 July 2024).

becoming stable enough and increasing their revenue, they would be able to contribute significantly to the economy, by paying more taxes and recruiting more workers.

## 3.2 WEE in Malaysia

As of 2023, 51.6% of working-age women participate in the labour market (compared with 82.5% of men). In 2018, the female labour participation was 55.2%.

Regarding sectors, women are mostly employed in the health and social work sector (68.7% of total employment in the sector) followed by the education sector (65.4% of total employment in the sector). While not a formal sector, it's worth noting that 92% of women are engaged in unpaid domestic work, which includes household chores and caregiving responsibilities.<sup>41</sup> Interestingly, in 2021, there were 9.8% of female employees in the informal sector, a slight increase compared to 9.4% in 2019; and although no reason is known, a speculative reason could be COVID.<sup>42</sup>

At the same time, Malaysia also has a reversed gender gap in school enrolment at all levels and in educational attainment. In this context, increasing the number of women who are able to access productive jobs has been a core development objective in its own right, but also holds the promise for Malaysia's continued economic growth.

### 3.2.1 Aspects of governance and better regulation in the WEE context

In Malaysia, the percentage of women in entrepreneurial positions is modest. Malaysia has emphasised increasing entrepreneurship among women and in the past ten years, the Government of Malaysia has recognized the importance of increasing women's participation in the labour force for the socioeconomic development and growth of the country.

Since the establishment of the Ministry of Entrepreneur and Cooperative Development (MECD) in 1995 and the Ministry of Women, Family and Community Development (MWFC) in 2001, Malaysia has promoted female entrepreneurship, providing a range of financial support and training schemes, such as MySMELady (financing), TemanNita (financing) and the Successful Women Entrepreneurship Engagement Talent (SWEET) programme (training, financing and business matching).

The country's SME authority, SME Corporation Malaysia (SME Corp.), has also introduced a wide range of programmes to strengthen the role of women in the Malaysian economy. This includes a number of training sessions and seminars that are aimed at fostering awareness and receiving feedback and ideas concerning issues that women entrepreneurs face. Support has also included some specific programmes to facilitate exports.

#### Case study: MATRADE Women Exporters Development Programme, Malaysia<sup>43</sup>

MATRADE launched the Women Exporters Development Programme (WEDP) in 2005 with the initial aim of producing 200 new women exporters by 2015. The programme was specifically tailored for new or irregular exporters with limited exporting experience but the willingness and capacity to develop the skills to become a successful exporter.

<sup>41</sup> World Bank Group (2019). *Breaking Barriers Toward Better Economic Opportunities for Women in Malaysia*, The Malaysia Development Experience Series, [Breaking Barriers: Toward Better Economic Opportunities for Women in Malaysia \(worldbank.org\)](https://www.worldbank.org/press/2019/07/breaking-barriers-toward-better-economic-opportunities-for-women-in-malaysia).

<sup>42</sup> Statista (2024). *Share of females employed in the informal sector from total female employment in Malaysia from 2011 to 2021*, <https://www.statista.com/statistics/974037/informal-sector-as-share-of-total-female-employment-malaysia/> (accessed: 26 July 2024).

<sup>43</sup> OECD (2017). *Strengthening Women's Entrepreneurship in ASEAN "Towards increasing women's participation in economic activity"*, [https://www.oecd.org/southeast-asia/regional-programme/Strengthening\\_Womens\\_Entrepreneurship\\_ASEAN.pdf](https://www.oecd.org/southeast-asia/regional-programme/Strengthening_Womens_Entrepreneurship_ASEAN.pdf) (accessed: May 2024).



WEDP is an intensive hand-holding program involving customised business coaching, skills enhancement training, international business exposure and market immersions, networking and mentoring sessions, and leadership and entrepreneurial development. Companies in the programme receive some financial support in the form of assisted visits to international trade fairs or other international trade promotion events and selective free participation in seminars and workshops organised by MATRADE.

#### **The rationale for the intervention and benefits of the programme**

The goal of this policy is to develop the exporting potential of women-owned SMEs. Special preference is given to companies that are involved in technology-driven, high value-added and knowledge-based industries. These types of industries include high-precision parts manufacturing, biotechnology, biomedical engineering, animation and advance surveillance systems etc., and are generally non-traditional to women entrepreneurs.

Several benefits are offered to participants of the programme. The following benefits, according to the MATRADE website, can be derived from the three-year programme:

- Customised business coaching and intensive hand-holding support. Export support will be provided by experienced and trained officers who have extensive knowledge in export promotion through years of exposure in export trade. Coaches are supported by officers from the Women, Youth and Bumiputera Exporters Development Unit who will serve as liaison project officers responsible for the companies' performance and records.
- Skills enhancement training will be conducted on a quarterly basis in the form of seminars, workshops and symposiums. Attendance and participation in these events organised by MATRADE are free. These skills enhancement training address critical topics such as:
  - Cross Cultural Understanding in International Business
  - Steps to Successful Exporting
  - International Business Communications
  - Effective Negotiation Skills
  - Formulating Export Plan & Market Entry Strategies
  - Effective Bookkeeping for Exporters
  - Branding for Global Market
- Exposure to global markets through active participation in international trade promotion activities held abroad. Selected SMEs will be given opportunities to promote their products and services at international trade fairs, customised selling missions and specialised marketing missions.
- Free exhibition space allocation for market exposure, publicity and opportunity to showcase their product or service offering for a period of 12 months at Malaysia Export Exhibition Centre (MEEC). MEEC is a permanent display centre for export-oriented Malaysian-made goods and services located at Menara MATRADE, Kuala Lumpur.
- Networking and mentoring sessions amongst SMEs and larger companies help broaden business outreach through the sharing of knowledge. Companies learn through sharing and are inspired by role-models and the achievements of others.
- Development of leadership and entrepreneurial qualities. These sessions nurture and develop behavioural traits that help build binding interpersonal relationships which in turn are vital for business cooperation.

### Implementation and results of the intervention for MSMEs and WEE

In 2012, MATRADE published a directory of Malaysian women exporters featuring 172 companies covering a broad range of sectors that could serve as a guide for international buyers and importers. By 2016, 109 women-owned MSMEs had benefited from the WEDP programme. In 2015, 32 of the participating women entrepreneurs were involved in international export promotion activities that generated MYR 96 million in sales (MATRADE, 2016, p. 106).

By 2022, it was reported that about 3,345 women-owned businesses were registered with MATRADE, with 163 of them being recruited in the exporters programme.<sup>44</sup> Additionally, participants include those involved in lifestyle and life-sciences, food and beverage, oil and gas, construction, services and chemical industries. From participation in 455 promotional campaigns, the programme has generated cumulative total export revenue of RM693.03mil, according to an official

Both the 10th and the 11th Malaysia Plans introduced job placement and development programs for women as well as greater access to loans and childcare. These policies and programs aimed to give women greater opportunities to acquire knowledge and experience through increased internships, job placements and development programs. In addition, women were given greater access to micro-loans and skills training to start businesses and different forms of tax reliefs for enrolment into childcare, caring for parents and breastfeeding were introduced. Anecdotal evidence indicates that because of the relatively low coverage of personal income tax in Malaysia, the different forms of tax relief have only had a very limited impact on female labour force participation.<sup>45</sup>

In 2023, in conjunction with the International Women's Day (IWD), the Malaysian Government also announced several initiatives aimed at empowering women under the Malaysia Madani theme, as below:

- Sayang initiative which entails husbands voluntarily transferring 2% of their EPF savings to their wives' accounts monthly. This will provide housewives and women without jobs some financial security for their golden years and is part of the Government expansion plan of the social protection network to include family institutions.
- iElevating women to take on at least 30% of decision-making roles in government-linked companies (GLCs), government-linked investment companies (GLICs) and Minister of Finance incorporated companies by 2025. This move aims to ensure more gender-balanced leadership in the corporate sector.
- Tabung Kasih Rahmah Wanita a RM1 million emergency assistance fund for women aims at helping women in distress or in vulnerable situations. This includes victims of domestic violence, as well as those neglected or abandoned by spouses and family members.
- New guidelines for the Anti-Sexual Harassment Advocacy Programme - Reforms in employment laws, such as the Employment Act, include provisions for gender equality, protection against workplace discrimination, and support for work-life balance.
- RM5 million set aside for data collection, research and promotion of future women empowerment programmes.

<sup>44</sup> The Star (2022). *Nurturing women exporters*, <https://www.thestar.com.my/metro/metro-news/2022/07/12/nurturing-women-exporters> (accessed: 26 July 2024).

<sup>45</sup> World Bank Group (2019). *Breaking Barriers. Toward Better Economic Opportunities for Women in Malaysia*, World Bank Document (accessed: 01 August 2024).

- Selangor Women's Policy and Action Plan 2024-2026 to increase the capability and contribution of women in the state to realise its aspirations of becoming a smart, liveable and prosperous state. Among the recommendations include introduction to flexible working hours and incentivising women, especially for working mothers, to promote labour participation among this demographic.

#### 3.2.2 Barriers and opportunities for WEE

In Malaysia women have traditionally been responsible for handling the household income and men for generating household income through commercial activities. Traditional Malay include values women staying home to care for young kids and elders, which hinders women's capacity to work. Stakeholders consulted pointed to the fact that the country was facing an aging population, with around 15% of the population being above 60 years old by 2030. Moreover, it was highlighted that community-based care would be preferable, to emulate other Asian countries' policies where success was achieved, like Singapore. It was noted that private daycare centres were not working because they are too expensive, and therefore not worth it for working parents.

Malaysian women have expressed a discomfort with entrepreneurialism and sought to become entrepreneurs only in ways that align with female norms for economic activity, such as through multi-level marketing, where women sell products through social networks and are paid on commission, rather than salary.

Women in Malaysia often work until they have a first child, and then never re-enter the labour market<sup>46</sup>. This practice is detrimental to the economy as it removes much labour force from the market, impacting companies which could do with additional productivity. The government has tried to remedy this problem by allowing women employees to return to work, with a year with tax-free income, as well as employee training paid for by the government. Interviewees have told the study team however that this was not working well, and other measures should be drawn up. An additional point that supports these reforms is the difference in the proportion of women attending university compared to women in the workforce. There are approximately two third of female university students, compared with around 55% of women workers. This shows that there is considerable margin for an increase of women's participation in the labour force.

Following ILO's guidelines, Malaysia recently introduced a statutory 98-day maternity leave policy. Moreover, statutory paternity leave allows fathers to take 7 consecutive days, limited to five births. These are useful, although costs of the leave are supported by firms, not social security, which is potentially complex to navigate. Small companies may have problems in balancing their own family needs and commitments to business, especially micro-firms.

The main barriers in Malaysia for WEE are as follows:

- **Access to Credit and Financial Resources:** Entrepreneurs, including women, generally face constraint in getting financing. Stringent requirements by financial institutions may result in difficulties to secure loans and investments for their businesses. In Budget 2024, the Government through Malaysia MADANI has allocated a RM720 million through multiple institutions such as TEKUN Nasional and Amanah Ikhtiar Malaysia (AIM) to encourage women and youth to engage in business. Government Guarantee Scheme MADANI (GGSM), a guarantee financing scheme under budget 2024, is provided by Syarikat Jaminan Pembiayaan Perniagaan (SJPP). The financing package is specifically designed to offer financial support for working capital and capital expenditure, aiming to help Malaysian SMEs and Mid Companies (MSCs) with annual revenue not exceeding RM500 million for all economic sectors with a focus on high technology, agriculture, manufacturing and tourism.

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<sup>46</sup> Crinis, V., Alifa, B. (2017). Malaysia: Balancing Paid and Unpaid Work, [in:] *Women, Work and Care in the Asia Pacific*, Routledge, [https://www.researchgate.net/publication/313894928\\_Malaysia\\_Balancing\\_Paid\\_and\\_Unpaid\\_Work](https://www.researchgate.net/publication/313894928_Malaysia_Balancing_Paid_and_Unpaid_Work) (accessed: 01 August 2024).

- **Digital skills:** Entrepreneurs in general including women entrepreneurs often face challenges in adopting digital technologies due to high costs, lack of digital literacy and limited access to digital infrastructure.

It has been argued that teleworking would allow women to stay in the labour force.<sup>47</sup> According to a UNDP survey on teleworking in Malaysia (the survey covered the self-employed), during the first wave of infections in early 2020, working parents with childcare responsibilities found their quality of life better off while teleworking, although less so for female parents (61% improved and 27% worsened for male; 54% and 33% for female,) (UNDP, 2020). Moreover, more female workers felt that domestic duties became easier (50%) than more difficult (34%) due to teleworking, although less salient for those aged 35-44 (45% and 40%).

The Government through TalentCorp, is committed to transforming its strategies to promote increased labour force participation among women. A key focus is on enhancing digital skills, which significantly improves employment opportunities, particularly for women returning to the workforce after quite some time and fosters new prospects in the gig economy and entrepreneurship. Recognising the importance of a supportive working ecosystem, TalentCorp is actively advocating for engaging with and assisting industries, particularly MSMEs, to enhance work-life practices through various flexible work arrangements.

Through the Malaysian Digital Economy Blueprint, the Government has also supported vulnerable groups such as the B40 and women to ensure equal access and opportunity to participate in the digital economy. Among the related initiatives are eRezeki that enables these groups to generate additional income by doing digital assignments via an online Sharing Economy platform and participants will be matched with digital work in line with their respective skills. Empowering Women in Cyber Risk Management Programme provides reskilling for women to re-enter the job market by helping them secure career opportunities in cybersecurity and empower women to develop the required skills for the high-in-demand jobs in this new era.

### 3.3 Monitoring the impacts from Regulatory Reform in Malaysia

Very limited information on the indicators on the impacts from the Women Export Programme has been found in the literature, although there is some sparse data on the number of beneficiaries. Measuring the impact of the Women Exporters Development Programme (WEDP) on women-led businesses could involve gathering data on different indicators, ranging from data on growth to business sustainability. The latter is important because good regulatory practices involve capturing both short term and long-term effects.

#### Examples of indicators for export trading related programmes

- **Export Growth:** Track the increase in export sales and revenue for women-led businesses that participated in the WEDP. Compare their performance before and after program enrolment.
- **Market Diversification:** Evaluate whether WEDP participants expanded into new markets or diversified their product offerings. Increased market reach indicates positive impact.
- **Capacity Building:** Assess the skills and knowledge gained by women entrepreneurs through WEDP training sessions. This includes business management, marketing, and export-related skills.
- **Networking and Partnerships:** Measure the number of new business connections, partnerships, and collaborations formed by WEDP participants. Strong networks enhance business opportunities.

<sup>47</sup> Suzuki, K., et al. (2022). *Restoring the dynamism of Malaysia's business sector*, OECD Economics Department Working Papers, No. 1702, OECD Publishing: Paris, DOI: 10.1787/21a5c60c-en.

- **Access to Finance:** Analyse whether WEDP facilitated access to financing options for women-led businesses. This could include grants, loans, or venture capital.
- **Business Sustainability:** Examine the survival rate of WEDP-supported businesses over time. Sustainable growth is a positive outcome.
- **Gender Equality Metrics:** Consider gender-specific indicators, such as the percentage of women in leadership positions, pay equity, and work-life balance improvements.

Some advances have been made however on good regulatory practices toward the monitoring and evaluation of policies in Malaysia. Malaysia has a public sector mandate that requires companies to report on the percentage of women on boards. The Malaysian government has mandated that all public listed companies (PLCs) must be represented by at least 30% women on their corporate boards. According to consultation, there have been some positive results; particularly in private sector, from 25.8% to 28.2% between 2021 and 2022; the increase has been less noticeable in the top-level management of public sector from 38.8% to 39.0%. Women participation in labour force has also increased slightly from 55.5% in 2021 to 55.8% in 2022.

### 3.4 Emerging recommendations – Malaysia

In Malaysia, several agencies play significant roles in supporting MSMEs and advancing WEE through various programmes, initiatives and data collection efforts. A summary is provided below.

#### Malaysia – Key stakeholders

##### Gender Equality Programmes and Initiatives

- Ministry of Women, Family, and Community Development (MWFC) through Social Institute of Malaysia (ISM) has developed a holistic gender equality training module that was to be executed in 2024. MWFC will conduct gender training for all Gender Focal Points (GFPs)<sup>48</sup> and Gender Focal Teams (GFTs) that aims to provide knowledge, hence deepening their understanding on gender equality.
- Public universities also offered gender equality courses such as in University Malaya, University Science of Malaysia and National University of Malaysia.
- Training on gender equality also continuously being conducted by NGOs including National Council of Women's Organisation (NCWO), All Women's Action Society (AWAM) and Women's Aid Organisation (WAO) for public.
- ASEAN level, under ASEAN Gender Mainstreaming Framework (AGMF) a training module on gender equality is currently being developed to further enhance implementation of AGMF.
- Judicial and Legal Training Institute (ILKAP) conducted a Seminar on Domestic Violence, Course on Human Rights: Child Marriage from Domestic and International Perspective, Course on Law Relating to Sexual Crimes, Workshop on Investigation and Prosecution under Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007 [Act 670] (ATIPSOM) and Course on the Law Relating to Sexual Crimes.

##### Gender-responsive Budgeting (GRB)

- The Government through the Ministry of Finance (MOF) is committed to implementing GRB which requires gender analysis framework.

<sup>48</sup> The Government's commitment to ensure all policies and programmes are gender responsive is translated through the appointment of GFPs and GFTs who will integrate and implement gender perspective in planning and decision-making.

- MOF through Department of Statistics had enhanced the sex-disaggregated data from all ministries and agencies towards the implementation of GRB initiative.
- MOF in collaboration with NGOs have conducted series of coaching sessions on Gender Responsive Budgeting-in-Practice to empower ministries and agencies in implementing GRB.

#### **Ministry of Women, Family and Community Development (MWFC)**

- Programmes and Initiatives: The Ministry implements programmes that promote women's welfare, including economic empowerment initiatives such as skills training, financial literacy programmes and support for women-owned businesses.
- Women's Economic Empowerment: Focus on policies and programmes that address gender disparities in economic opportunities and support women's participation in the workforce and entrepreneurship.
- Data Collection: The Ministry may collect data on women's economic participation, including entrepreneurship, to inform policy and programme development.

#### **Malaysian Institute of Economic Research (MIER) and Department of Statistics Malaysia**

- Data Collection: These organisations provide gender-disaggregated statistical data on various economic indicators, including MSMEs and gender-specific economic participation, which are essential for evidence-based policymaking and program evaluation.

Source: SME Corp (2024)

These Ministries and agencies in Malaysia collaborate with various stakeholders from the public and private sector, NGOs and academia to create a supportive ecosystem for MSMEs in Malaysia. Our recommendations for further work in collaboration with above bodies are provided below.

#### **3.4.1 Recommendations on MSMEs in Malaysia**

Malaysia has introduced several regulatory reforms that have positively impacted the MSMEs; but limited information has been found on specific programmes to assess the impacts, such as the Malaysian MATRADE. Consultation has highlighted that programmes that support exports tend to be effective in the short to medium term but in the longer term, the programme becomes more ineffective due to the saturation of the market. COVID also had a significant effect in the MSME landscape in Malaysia. The Malaysian Government responded to the coronavirus threat by introducing the PRIHATIN Economic Stimulus Package and PENJANA Recovery Plan, and MyAssist MSME is an online one-stop business advisory platform. Consultation has highlighted that there is an overall lack of support system for MSMEs in Malaysia; and although the access to capital is increasing, there is very limited financial literacy. In addition, business licensing and certification is cumbersome, and entrepreneurs are often sceptical of registering a business. In the area of MSMEs, the following recommendations are given:

- Support measures for MSMEs include scale-ups in technology needed to gather more momentum and improve export readiness. There are programmes already in place in Malaysia to support technology upgrades and investment in new tools. Consulted stakeholders have reported that the concepts are good, but that there needs to be more financial commitment from the government, so that impacts are more widespread on the MSMEs that need it the most. There is not known regulatory impact assessment on these programmes, however and these could also be suggested.
- Enforce and support further the Third Industrial Master Plan (IMP3) and other relevant policies. The definition of measures to support global competitiveness through transformation and

innovation of the manufacturing and services sector was introduced in 2006 and ended in 2020.<sup>49</sup> It included a focus on resource and non-resource-based industries, such as electrical and electronics, medical devices, pharmaceuticals, wood-based, rubber-based, and other sectors. There is a need to follow up on this kind of initiative to sustain the momentum gained on global trade and to reinforce the MSMEs which contribute to Malaysia's competitiveness.

- Engagement with local communities. Consultation has revealed that local communities are becoming a catalyst for introducing reform with a more noticeable impact at the rural level. Indeed, working with local mentors seems to be an effective way of engaging with women local entrepreneurs in more isolated areas.
- Create and enlarge access to financing opportunities. Policies in this field are much needed as large banks do not have the will to support small projects. Institutional stakeholders argue that many efforts have been done in the past decades to strengthen the financial system, with many initiatives for MSMEs. An indicator of this strength is the ability of the Malay economy to recover from the COVID crisis and to support the population of MSMEs. Discussions with different stakeholders highlighted that many small business owners are not able to secure financing opportunities, as they do not offer large enough returns for financial institutions. The measures for small companies should therefore be reinforced.

#### 3.4.2 Recommendations for WEE in Malaysia

There are a number of recommendations that can be tailored towards WEE in Malaysia:

- Assist in regulatory reforms to ensure women can acquire entrepreneurial knowledge and skills. As was demonstrated by desk research and discussed with interviewees, some women have the desire to start creating a company, but they lack certain resources to ensure long-term stability and growth of their endeavours (Wahid and others, 2021, in UNESCAP, 2024). This lack of skills or knowledge can lead to many different problems in conducting daily activities, but they are caused by a lack of management and entrepreneurial management skills, lack of negotiation and bargaining skills, lack of knowledge, lack of proper training on management and production skills upgrading, and / or lack of business ideas (Arumugam, Marthandan and Subramaniam, 2016, in UNESCAP, 2024, and NHRC).
- Assistance with trainings and seminars. Although the Malaysian government has implemented a range of policies for women which take the form of workshops (for example, the Women Exporters Development Programme organised by MATRADE)<sup>50</sup>, there is a need for more support and investment generally. Free online resources could be useful on that topic, and ASEAN partners could play a role.<sup>51</sup>
- The above could be extended to support the digital skills/training for women that are teleworking or running businesses from home. The measures to support the teleworking of female workers could be conducive to stimulating female entrepreneurship on the basis of the limited provision of affordable childcare.

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<sup>49</sup> Official Portal of the Ministry of Investment, Trade, and Industry (2015). *Third Industrial Master Plan (IMP3)*, <https://www.miti.gov.my/index.php/pages/view/1690> (accessed: 26 July 2024).

<sup>50</sup> The Official Portal of Malaysia External Trade Development Corporation (2010). *Women Exporters Development Programme (WEDP)*, <https://www.matrade.gov.my/en/archive/25-malaysian-exporters/services-for-exporters/224-women-exporters-development-programme-wedp> (accessed: 26 July 2024).

<sup>51</sup> In Indonesia, for example, the 'Tumbu' platform (available at: <https://tumbu.co.id/>) is an all-encompassing website to support growing entrepreneurs.

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## 4 Country study: Vietnam

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### 4.1 MSMEs in Vietnam

MSMEs are the key contributor to Vietnam's economic development. They constitute 98% of all the country's businesses, generate 40% of Vietnamese GDP, and provide employment to one in two workers. As of 2020, among 650 thousand firms active in the country, a significant majority were microenterprises, followed by small businesses. Those two categories together made up 93.7% of enterprises operating in Vietnam.

### 4.2 Regulatory reform in the MSME context

Most business laws and regulations in Vietnam apply to enterprises of all sizes,<sup>52</sup> although some may provide special provisions for SMEs (for example, lower rates of corporate income tax). However, given the importance of SMEs in the Vietnam economy, the government has also introduced SME-specific development plans and regulatory policies to give SMEs preferential treatment.

The first piece of regulation explicitly targeting SMEs was introduced in 2001 and it laid the foundation for establishing a dedicated SME Agency under the Ministry of Planning and Investment (MPI) (Decree 90/2001/ND-CP). Moreover, the Decree also set up the SME Development Promotion Council chaired by the Minister of the MPI, which is responsible for advising the Prime Minister on mechanisms and policies to encourage the development of SMEs. Following this, the Regulation on the Setting up, Organization and Operation of Credit Guarantee Funds (CGFs) for SMEs was signed.<sup>53</sup>

As of 2017, the World Bank's International Finance Corporation noted that some challenges around creation of a business-conducive environment in Vietnam included taxation, resolving insolvency, or facilitation of procedures around starting of a business. It was pointed out that, similar to a majority of ASEAN countries, setting up of a business in Vietnam was complex and costly, with 24 days needed to start a firm.

Vietnam has been undertaking tangible efforts to reduce regulatory burden for businesses during the last decades. The body in charge of these reforms is the Advisory Council for Administrative Procedure Reform (ACAPR) whilst the Administrative Procedure Control Agency (APCA) monitors the progress.

The focus of this country study is the Resolution 68/NQ-CP on the simplification and streamlining of regulations relating to business activities of May 2020, implemented in Vietnam (hereafter: Resolution 68). The key objectives of the Resolution are as follows:

1. to reduce and streamline at least 20% of requirements and to reduce 20% or more of compliance costs of all business-related regulations.
2. to reduce the number of regulations on businesses under the authority of Ministers, Heads of ministry-level agencies, the Prime Minister, and the Government.

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<sup>52</sup> In Vietnam, the definition of Small and Medium Enterprises (SMEs) is outlined in the Law on Support for Small- and Medium-Sized Enterprises. Here are the key criteria:

Micro Enterprises: Annual Revenue: Up to VND 3 billion. Number of Employees: Up to 10.

Small Enterprises: Annual Revenue: Between VND 3 billion and VND 50 billion. Number of Employees: Between 10 and 100.

Medium Enterprises: Annual Revenue: Between VND 50 billion and VND 200 billion. Number of Employees: Between 100 and 200

<sup>53</sup> Do, S., Pham, T. (2007). *Policies for developing Small and Medium Enterprises*, Pacific Economic Cooperation Council, [https://pecc.org/images/stories/publications/SME-2007-10-Policies\\_for\\_Developing\\_Small\\_and\\_Medium\\_Enterprises\\_in\\_Vietnam-Do-Pham.pdf](https://pecc.org/images/stories/publications/SME-2007-10-Policies_for_Developing_Small_and_Medium_Enterprises_in_Vietnam-Do-Pham.pdf) (accessed: 26 July 2024).



### Background to Resolution 68

The groundwork for the future Resolution 68/NQ-CP was developed in the period of 2007-2010, when the "Project 30" was implemented by the authorities, recognised by the international community as an impactful effort to curb national regulations. In that period, referred to as the first wave of reforms, Vietnam took an inventory of more than 6 000 administrative procedures and reduced their overall cost. Vietnam streamlined more than 4 800 out of over 5 400 administrative procedures, which led to savings amounting to roughly USD 1.3 billion.

In the consecutive step, known as the second wave of administrative reforms, Vietnam reduced and simplified close to 3 900 business conditions. Moreover, specifically in the area of imports and exports, as a part of the "Reform model of quality control, food safety inspection for imported goods" project, between 2016 and 2020, the country cut 6776 out of 9926 lists of goods covered with a requirement of specialized inspection and 30 among 120 administrative procedures related to such an inspection. The above developments resulted in saving of USD 260 million each year.

Despite those achievements, the first and the second waves of reforms left some room for future work and possible improvements to the national business environment. Notably, as of September 2020, the Government Office stated that the progress in the reforms was in some cases suboptimal. Import and export-related procedures were pointed out as demanding further improvements. The Government Office stipulated that while e-customs procedures improved the situation in the area of regulation around imports and exports, there many procedures still required paper-based handling, in effect mitigating benefits from the progressing digitalisation. The assessment of the authorities was that the procedures around imports of goods continued to erect barriers to market entry, therefore generating unnecessary costs.

Other major recent regulatory reform efforts to reduce regulatory burden have included:

- the so-called Project 30, which since 2010 has aimed to reduce regulatory compliance costs by an annual average rate of 30%, has resulted in the simplification of thousands of administrative procedures and has been credited, inter alia, with being a major driver of FDI attraction, especially in the early 2000s;
- one-stop shops and business portals, which have been deployed to provide information and advice on issues such as business registration and business licenses; and
- Vietnam's Provincial Competitiveness Index (PCI), a joint initiative of the Vietnam Chamber of Commerce and Industries (VCCI) and the United States Agency for International Development (USAID), which benchmarks the effectiveness of local market regulations.

In 2017, Vietnam introduced a small and medium sized enterprise (SME) support law. This law aims to create a favourable environment for SMEs by providing various forms of support as from January 2018, including:

- Financial Assistance: SMEs can access preferential loans, tax incentives, and subsidies.
- Technical Support: The law provides for technical infrastructure, such as common-use equipment and incubators, to help SMEs in design, testing, and product development.
- Market Access: SMEs receive support in participating in value chains and distribution networks.
- Capacity Building: Training programs and consultancy services are available to enhance the capabilities of SME owners and employees.

A dedicated SME Development and Promotion Council is responsible for co-ordinating inputs from various ministries and agencies involved in SME development, as well as advising the Prime Minister related policies and instruments.

### 4.3 Barriers and opportunities for MSMEs

According to the literature and consultation, Vietnamese MSMEs continue to face entrepreneurship barriers; namely the quality of the insolvency regime, the ease of starting a business (more specifically, a limited liability company) and the complexity of the tax system.

Regulatory compliance is also acknowledged to be a particular challenge for SMEs in terms of time and cost in the available literature. In a given year, production factories are subject to many inspections by various government agencies to check compliance with regulations in environmental standards, workplace health and safety, taxation and reporting, labour standards and working conditions. Inspections often take place individually, according to the administering agency and, as such, are not systematically considered or grouped together to limit possible duplication.

Regulatory requirements in relation to imports is also a known challenge. Customs procedures and regulations, including import-export tax procedures, remain highly challenging for SMEs. As part of the WTO accession process, Vietnam has significantly reformed a number of regulatory and trade facilitation measures to comply with international standards. Efforts have been made to implement agreements on intellectual property, investment measures, customs valuation, sanitary and phytosanitary measures, import licensing provisions, anti-dumping and countervailing measures, and rules of origin.

The Directorate for Standards, Metrology and Quality (STAMEQ) is the national standardisation agency. It issues national standards and helps develop international standards. STAMEQ is housed under the Ministry of Science and Technology. Considerable efforts also have been made to align or adapt national regulations with regional (ASEAN) or international standards. In recent years, STAMEQ has been actively involved in digital transformation and the development of digital standards. For instance, they organized a workshop on digital standards and digital transformation in standards, where officials discussed Vietnam's standardization strategy and the role of digital standards, where the British Standards Institute was invited to share knowledge.<sup>54</sup> Thus far, there have been limited plans to harmonise or streamline sanitary and phytosanitary requirements (i.e. requirements certification, licensing/product certification, labelling requirements, inspections and testing, etc.) at the national or regional levels but further knowledge sharing, including digital practices, could be an area of exploration.

However, there are some known barriers to digital transformation of MSMEs with regard to Vietnam. The literature review and consultation have revealed the following barriers:

- Advanced digital skills are limited in the country and a significant share of firms lacks hands-on experience in operating digital software.
- SMEs being capable of using Internet only at very basic skills-level, such as to receive and send e-mails, or browse their potential customer base online.
- Digital contents are unavailable online in the Vietnamese language.
- MSME face problems in securing assets to carry out an organisational digital transformation (lack of financial resources and technical expertise to develop, purchase, or deliver digital services and products and services).
- Insufficient penetration of the overall business environment with digital technologies with a very limited share of enterprises offering digital training opportunities for their staff.

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<sup>54</sup> Commission for Standards, Metrology, and Quality of Viet Nam (2022). *Workshop on Digital Standards and Digital Transformation in Standards*, <https://tcvn.gov.vn/workshop-on-digital-standards-and-digital-transformation-in-standards/05/12/2022/?lang=en> (accessed: 26 July 2024).

- Far from sufficient usage of Internet by MSMEs to self-promote, incompatibility of existing websites with modern digital devices.<sup>55</sup>

### 4.4 WEE in Vietnam

Vietnam boasts a particularly high participation of women in the labour force, and few legal differences in status between men and women.

Vietnam's investment climate for women is generally seen as supportive, and Vietnam's business landscape is characterised by a long-standing tradition of female involvement. While the glass ceiling phenomenon exists, the country still performs better in this regard than its ASEAN neighbours. According to International Finance Corporation: "Based on the gender gap in labour participation, earnings, and advanced representation of women in management roles (defined as the ratio of women in senior, professional and technical roles), Vietnam has continued to outperform the majority of countries, including high income peers."

Vietnam boasts fewer disparities in legal statuses of men and women when it comes to entrepreneurial activity, and performs well particularly in relation to economic participation and opportunity. Based on the World Bank's Women, Business, and the Law benchmark, Vietnam is one of the countries with most gender-equal law, but there are a few exceptions concerning business sectors and professions where women are not allowed to work (due to being considered hazardous or physically demanding such as mining, some manufacturing and construction that involve heavy lifting and exposure to toxic chemicals).

The garment and light manufacturing industries have been a major source of waged employment for women in Vietnam in recent years. Women's job share has been growing at a faster rate than men's employment in the sector. However, jobs for women are mostly at the menial and low wage 'cut-make-trim' end of garment production, and there is negligible need for or investment in training. Jobs in the sector are susceptible to displacement by automation and the lack of training puts a generation of women workers at risk.

#### 4.4.1 Aspects of governance and better regulation in WEE

The Government of Vietnam was an early signatory to international commitments to gender equality, and this undertaking led to the development of a formal legal framework on gender equality that is widely acknowledged as comprehensive (UN Women, 2021). Vietnam's national machinery for gender equality (i.e. institutional structure) is tiered and complex, comprising a combination of state-based and socio-political entities.

The National Assembly's Parliamentary Committee for Social Affairs (PCSA) is responsible for the legislation of gender equality and women's affairs. It is tasked with examining proposed and draft laws to ensure that gender issues are incorporated into normative documents. The Gender Equality Law (2006) emphasizes the importance of mainstreaming gender issues in legal normative documents. In 2008, the Department of Gender Equality (GED) under the Ministry of Labour-Invalids and Social Affairs (MOLISA) was established as the state management agency for gender equality, nationwide. GED is responsible for the development of laws, policies and mechanisms for the promotion of gender equality. It provides policy and technical advice to the government, and it performs an 'inspection' of the implementation of gender equality commitments, including gender mainstreaming within the drafting of legal documents. The National Committee for the Advancement of Women (NCAFW) is the inter-sectoral government body that advises the Prime Minister on issues relating to advancement of women within the country. Committees for the Advancement of Women (CAFW) have been

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<sup>55</sup> Alexandrova, E., Zabolotskaya, V. (2022). Opportunities and Limitations for the Digital Economy Development: case of the SME sector of Vietnam, [in:] *IV International Scientific and Practical Conference (DEFIN-2021)*. New York: Association for Computing Machinery, Article 88, pp. 1-5. DOI: 10.1145/3487757.3490943.

established horizontally, across all ministries and sectors, and they have been formed in each of the 63 provinces/cities at provincial, district and commune level.

As a result, several laws have undergone gender mainstreaming, including the laws on Employment (2015), Social Insurance (2016), or the Labour Code (2019).<sup>56</sup> Importantly, Vietnam's Law on Support to SMEs (2017) introduced into the country's legal system a definition of a female-owned SME.<sup>57</sup> One of the outputs resulting from the introduction of the law were preferential measures for female-owned SME in cases where SMEs apply for state support, prioritising female-owned SMEs and/or SMEs that employ more women. It also allowed for standardised measurement of developments in the market segment of women-owned SMEs.<sup>58,59</sup>

Vietnam has also introduced into its law a package of generous maternity-related provisions for formal workers. This law has moved Vietnam up in international rankings to levels seen in more developed economies<sup>60</sup> but the majority of working women in Vietnam are still employed in the informal sector, thus remained uncovered.<sup>61</sup>

For the past 20 years, a national gender assessment has been produced for Vietnam every five years. This multi-agency effort is intended to provide a snapshot of gender equality progress against key socio-economic indicators, and to offer analysis and recommendations for addressing barriers to progress and closing gender gaps. Each report has identified gender issues or disparities in different sector under examination, including governance, labour, agriculture, business, family life, etc.

A major policy accomplishment in the past years has been the National Strategy on Gender Equality (NSGE) 2011-2020. The NSGE 2021-2030 had 6 objectives and 20 targets. It also had a section that specifies responsibilities and essential solutions, by state agencies.

OPSS identified challenges around the integration of G&I perspectives into regulatory reforms in Vietnam during the implementation of the previous ASEAN Regulatory Reform Programme (ARRP), including:

- A paucity of data on regulatory barriers and challenges faced specifically by women.
- A lack of evidence on how regulatory reform can address gender equality.
- A gap in general knowledge and understanding of the intersection of gender equality and regulatory reform activities.

This study has gathered further information on the points above. Further detail is presented below.

#### 4.4.2 Barriers and opportunities for WEE

The series of reforms implemented in the country have translated into a significant improvement in gender-parity, particularly when it comes to educational attainment. On the other hand, a wage gap still exists, and the share of women in managerial positions, particularly in the context of the country's high labour force participation for women, is relatively low. Hence, it can be said that, while the

<sup>56</sup> UN WOMEN (2021). *Country Gender Equality Profile 2021, Vietnam*, [https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEAAsia/Docs/Publications/2021/10/vn-CGEP\\_Full.pdf](https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEAAsia/Docs/Publications/2021/10/vn-CGEP_Full.pdf) (accessed: 26 July 2024), p. 100.

<sup>57</sup> "An SME firm where one of more women own at least 51 per cent of the charter capital, and at least one of them is the manager of the firm"

<sup>58</sup> UN WOMEN (2021) *Country Gender Equality Profile 2021, Vietnam*, [https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEAAsia/Docs/Publications/2021/10/vn-CGEP\\_Full.pdf](https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEAAsia/Docs/Publications/2021/10/vn-CGEP_Full.pdf) (accessed: 26 July 2024), p. 101.

<sup>59</sup> UN ESCAP (2022). *The SME Law and its Impacts on Women Entrepreneurs in Viet Nam*, <https://www.unescap.org/kp/2022/sme-law-and-its-impact-women-entrepreneurs-viet-nam> (accessed: 26 July 2024).

<sup>60</sup> UN WOMEN (2021) *Country Gender Equality Profile 2021, Vietnam*, [https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEAAsia/Docs/Publications/2021/10/vn-CGEP\\_Full.pdf](https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEAAsia/Docs/Publications/2021/10/vn-CGEP_Full.pdf) (accessed: 26 July 2024), p. 101.

<sup>61</sup> UN WOMEN (2021) *Country Gender Equality Profile 2021, Viet Nam*, p. 101.

country performs relatively well in labour market gender equality in comparison with its neighbouring-countries, there is still room for improvement when it comes to addressing issues such as the glass ceiling for female professionals.

When it comes to specific structural and regulatory challenges to females' economic empowerment, firstly, in Vietnam, social norms generally assign a majority of household-related and childcare-related responsibility to females<sup>62</sup>, which negatively impacts women's involvement in the labour market and participation in decision-making bodies.<sup>63</sup> The previous studies found that social norms-connected resentment against females' involvement in entrepreneurship in some cases resulted in businesswomen experiencing strong negative pressure from their family members, including instances of violent actions.<sup>64</sup> Such an imbalance in social expectations towards men and women was described by UN WOMEN (2021) as a "double burden": "it is unrealistic for women to pursue stable jobs, career opportunities or skills upgrading with any degree of continuity, while they shoulder a disproportionate amount of household responsibilities".<sup>65</sup>

Indeed, in Vietnam, females spend on average twice as much time delivering 'services for own/family use' as men.<sup>66</sup> On top of that, the situation of women entrepreneurs involved in child-caring might be relatively more difficult due to access to social services being relatively more limited than in some developed economies.<sup>67</sup> The IFC report (2022) highlighted that caring responsibilities are disproportionately represented among employees in low-skilled labour market segments, such that are characterised by greater flexibility, but also lower remuneration.<sup>68</sup>

One can mention also challenges around access to finance. In this context, the study by Brandt and colleagues (2016) based on a SME survey found that the shortage of capital/credit is the most commonly perceived as the important barrier to growth of an enterprise in Vietnam.<sup>69</sup> In principle, this challenge affects all the SME sector in the country, with complicated and resource-intensive formal procedures undermining access to external finance, and many firms lacking sufficient capacity, knowledge, and time to produce a business development plans sufficient to secure a commercial loan.<sup>70</sup> On the other hand, women entrepreneurs face specific challenges in this regard. For example, with the social norms around land titling traditionally leading couples to title their shared land only in a male spouse's name (even though law does not discriminate against women in this regard), females

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<sup>62</sup> The Vietnam Women Entrepreneurs Council (VWEC) (2007). *Women's Entrepreneurship Development in Vietnam*, Vietnam Chamber of Commerce, ILO, [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_100456.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_100456.pdf) (accessed: 26 July 2024).

<sup>63</sup> International Finance Corporation (2017) *Women-owned enterprises in Vietnam: Perceptions and Potential*, World Bank Group, <https://documents1.worldbank.org/curated/en/698121515566252663/pdf/121280-v2-WP-VN-ENGLISH-Market-study-on-Women-owned-enterprises-in-Vietnam-PUBLIC.pdf>, p. 14.

<sup>64</sup> Mani-Kandt, R. (2022). *To empower female entrepreneurs, we must challenge gender norms*, World Economic Forum, <https://www.weforum.org/agenda/2022/11/empower-female-entrepreneurs-challenge-gender-norms/> (accessed: 26 July 2024).

<sup>65</sup> UN WOMEN (2021) *Country Gender Equality Profile 2021, Vietnam*, [https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEA/Docs/Publications/2021/10/vn-CGEP\\_Full.pdf](https://asiapacific.unwomen.org/sites/default/files/Field%20Office%20ESEA/Docs/Publications/2021/10/vn-CGEP_Full.pdf) (accessed: 26 July 2024), p. 115.

<sup>66</sup> UN WOMEN (2021) *Country Gender Equality Profile 2021, Vietnam*, p. 116.

<sup>67</sup> The Vietnam Women Entrepreneurs Council (VWEC) (2007). *Women's Entrepreneurship Development in Vietnam*, Vietnam Chamber of Commerce, ILO, [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_100456.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_100456.pdf) (accessed: 26 July 2024), p. 29.

<sup>68</sup> International Finance Corporation (2022). *Tapping the Potential of Women Entrepreneurs in Vietnam*, World Bank Group, <https://www.ifc.org/en/stories/2022/tapping-potential-of-women-entrepreneurs-in-vietnam#:~:text=An%20IFC%20market%20study%20in%202017%20revealed%20the,growing%20at%20a%20pace%20of%20Over%2020%20percent> (accessed: 26 July 2024), p. 100.

<sup>69</sup> Brandt, K., Rand, J., Sharma, S., Tarp, F., Trifković, N. (2016). *Characteristics of the Vietnamese Business Environment: Evidence from a SME Survey in 2015*. Helsinki: UNU-WIDER, <https://www.wider.unu.edu/publication/characteristics-vietnamese-business-environment> (accessed: 26 July 2024), pp. 19-20.

<sup>70</sup> Eisinger, F., Cochu, A. (2016). Enabling SME access to finance for sustainable consumption and production in Asia, An overview of finance trends and barriers in Vietnam, SwitchAsia Network Facility, [https://www.switch-asia.eu/site/assets/files/1223/green\\_finance\\_study\\_-\\_2016\\_-\\_vietnam.pdf](https://www.switch-asia.eu/site/assets/files/1223/green_finance_study_-_2016_-_vietnam.pdf) (accessed: 26 July 2024), p. 14.

often lack assets to present a sufficient collateral in their own name to apply for a loan.<sup>71</sup> Indeed, IFC data highlights that as many as 33% of business loan applications from females are rejected on a basis of a lack of a sufficient collateral.<sup>72</sup> As of 2017, the financing gap for WMSMEs totalled \$1.19 billion, and one in three businesses owned or led by females saw access to finance as the biggest barrier to their business activity.<sup>73</sup>

The situation is worsened by the fact, that in Vietnam, banks underserve women entrepreneurs. While Eisinger and Cochu's study (2016) suggests that Vietnamese banks in general offer dedicated SME-targeted loans on preferential terms<sup>74</sup>, the available literature suggests that banks lack strategies and products focusing specifically on female entrepreneurs.<sup>75</sup> The IFC data suggests that female entrepreneurs "have less access to bank loans and even those that do appear to receive less financing than they need."<sup>76</sup> The study by Bialus and colleagues (2022) found that among 27 researched banks, only 5 had adopted a specific strategy targeting female-owned firms.<sup>77</sup>

Another factor that limits females' business opportunities is a weakness of women entrepreneurs' associations. In this context, the Mekong Business Initiative argued in 2016 that female entrepreneurs' associations had not been recognised by the Vietnamese authorities as a platform for gathering and dissemination of information, and they had not been consulted when developing relevant policy measures.<sup>78</sup> Overall, WMSMEs in Vietnam suffer from limited opportunities to networks for business development (relevant particularly in smaller communities, and for women with caring responsibilities).<sup>79,80</sup>

Beyond the above, the available literature points to a myriad of challenges, in large part affecting also male-owned SMEs. It should be noted, however, that generic challenges to SME growth might sometimes impact female-owned businesses more harshly, while intersecting with females' specific social circumstances (e.g., caring responsibilities, or social prejudices and perceptions). In this context, International Financial Corporation (2022) pointed to: "intersecting forms of discrimination and disadvantage [*in Vietnam*] compounding the difficulties faced by certain groups of women, such as

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<sup>71</sup> Brandt, K., Rand, J., Sharma, S., Tarp, F., Trifković, N. (2016). *Characteristics of the Vietnamese Business Environment: Evidence from a SME Survey in 2015*. Helsinki: UNU-WIDER, <https://www.wider.unu.edu/publication/characteristics-vietnamese-business-environment>, (accessed: 26 July 2024), p. 62.

<sup>72</sup> International Finance Corporation (2017). *Women-owned enterprises in Vietnam: Perceptions and Potential*, World Bank Group, <https://documents1.worldbank.org/curated/en/698121515566252663/pdf/121280-v2-WP-VN-ENGLISH-Market-study-on-Women-owned-enterprises-in-Vietnam-PUBLIC.pdf> (accessed: 26 July 2024), p. 7.

<sup>73</sup> International Finance Corporation (2022). *Tapping the Potential of Women Entrepreneurs in Vietnam*, World Bank Group, <https://www.ifc.org/en/stories/2022/tapping-potential-of-women-entrepreneurs-in-vietnam#:~:text=An%20IFC%20market%20study%20in%202017%20revealed%20the,growing%20at%20a%20pace%20of%20over%2020%20percent> (accessed: 26 July 2024).

<sup>74</sup> Eisinger, F., Cochu, A. (2016). Enabling SME access to finance for sustainable consumption and production in Asia, An overview of finance trends and barriers in Vietnam, SwitchAsia Network Facility, [https://www.switch-asia.eu/site/assets/files/1223/green\\_finance\\_study\\_-\\_2016\\_-\\_vietnam.pdf](https://www.switch-asia.eu/site/assets/files/1223/green_finance_study_-_2016_-_vietnam.pdf) (accessed: 26 July 2024), p. 12.

<sup>75</sup> International Finance Corporation (2017). *Women-owned enterprises in Vietnam: Perceptions and Potential*, World Bank Group, <https://documents1.worldbank.org/curated/en/698121515566252663/pdf/121280-v2-WP-VN-ENGLISH-Market-study-on-Women-owned-enterprises-in-Vietnam-PUBLIC.pdf> (accessed: 26 July 2024), p. 1.

<sup>76</sup> Ibidem, p. 4.

<sup>77</sup> Bialus, D., Le T. T., Nguyen, T. T. H., Chu H. M. (2022). *Financial Access of Women-Owned Small and Medium-Sized Enterprises in Viet Nam*, ADB Southeast Asia Working Papers, <https://www.adb.org/sites/default/files/publication/850891/financial-access-women-owned-smes-viet-nam.pdf> (accessed: 26 July 2024), p. 18.

<sup>78</sup> Mekong Business Initiative (MBI) (2016). *Women-Owned Small and Medium-Sized Enterprises In Viet Nam: Situation Analysis and Policy Recommendations*, [https://mekongbiz.org/wp-content/uploads/2017/07/WOB-Position-Paper\\_English-1.pdf](https://mekongbiz.org/wp-content/uploads/2017/07/WOB-Position-Paper_English-1.pdf) (accessed: 26 July 2024), p. 4.

<sup>79</sup> Mekong Business Initiative (MBI) (2016). *Women-Owned Small and Medium-Sized Enterprises In Viet Nam: Situation Analysis and Policy Recommendations*, p. 4.

<sup>80</sup> Mekong Business Initiative (MBI) (2016). *Women-Owned Small and Medium-Sized Enterprises In Viet Nam: Situation Analysis and Policy Recommendations*, pp. 19-21.

women living with disability, migrant women, ethnic minority women and those living in rural areas, single mothers, as well as older and elderly women”.<sup>81</sup>

Beyond the challenges mentioned above, the literature mentions some other challenges such as:

- Lack of access to trade promotion (low WMSMEs participation in governmental trade promotion programmes, one of the reasons being lack of information connected to a lack of participation in business networks)
- Various financial constraints (lack of collaterals, lack of capital, reliance on informal capital, etc.)<sup>82</sup>
- Limited access to resources<sup>83</sup>
- Lack of knowledge and skills (corporate governance, human resources development, financial management) and market information<sup>84,85</sup>
- Challenges around taxation<sup>86</sup>
- Limited access to training<sup>87,88</sup>
- Lack of infrastructure and technological support<sup>89,90</sup>

#### 4.5 Monitoring the impacts from Regulatory Reform in Vietnam

Resolution 68 is the most comprehensive scheme of this type in Vietnam to date. There was an expectation that the Resolution would allow Vietnam to tackle the red tape challenge and curb bureaucracy, in result attracting foreign investors, where the business environment in Vietnam would improve its perception in business circles abroad.<sup>91</sup> In this context, it was decided that the priority area for the reform would be regulation around imported and exported products.<sup>92</sup>

<sup>81</sup> International Finance Corporation (2022). *Tapping the Potential of Women Entrepreneurs in Vietnam*, World Bank Group, <https://www.ifc.org/en/stories/2022/tapping-potential-of-women-entrepreneurs-in-vietnam#:~:text=An%20IFC%20market%20study%20in%202017%20revealed%20the,growing%20at%20a%20pace%20of%20over%2020%20percent> (accessed: 26 July 2024), p. 100.

<sup>82</sup> Panda, S. (2018). Constraints faced by women entrepreneurs in developing countries: review and ranking [in:] *Gender in Management: An International Journal*, vol. 33, no. 4, DOI: 10.1108/GM-01-2017-0003.

<sup>83</sup> Mekong Business Initiative (MBI) (2016). *Women-Owned Small and Medium-Sized Enterprises In Viet Nam: Situation Analysis and Policy Recommendations*, [https://mekongbiz.org/wp-content/uploads/2017/07/WOB-Position-Paper\\_English-1.pdf](https://mekongbiz.org/wp-content/uploads/2017/07/WOB-Position-Paper_English-1.pdf) (accessed: 26 July 2024), p. 4.

<sup>84</sup> Mekong Business Initiative (MBI) (2016). *Women-Owned Small and Medium-Sized Enterprises In Viet Nam: Situation Analysis and Policy Recommendations*, p. 4.

<sup>85</sup> Mekong Business Initiative (MBI) (2016). *Women-Owned Small and Medium-Sized Enterprises In Viet Nam: Situation Analysis and Policy Recommendations*, pp. 19-21.

<sup>86</sup> Panda, S. (2018). *Constraints faced by women entrepreneurs in developing countries: review and ranking*, [in:] *Gender in Management: An International Journal*, vol. 33, no. 4, DOI: 10.1108/GM-01-2017-0003.

<sup>87</sup> Nguyen, H. A., Phuong, T. T., Le, Thuy T. B., Vo, L. P. (2020). Vietnamese Women Entrepreneurs' Motivations, Challenges, and Success Factors, [in:] *Advances in Developing Human Resources*, vol. 22, issue 2, DOI: 10.1177/1523422320907050, p. 3.

<sup>88</sup> Mekong Business Initiative (MBI) (2016). *Women-Owned Small and Medium-Sized Enterprises In Viet Nam: Situation Analysis and Policy Recommendations*, [https://mekongbiz.org/wp-content/uploads/2017/07/WOB-Position-Paper\\_English-1.pdf](https://mekongbiz.org/wp-content/uploads/2017/07/WOB-Position-Paper_English-1.pdf) (accessed: 26 July 2024), p. 4.

<sup>89</sup> Nguyen, H. A., Phuong, T. T., Le, Thuy T. B., Vo, L. P. (2020). Vietnamese Women Entrepreneurs' Motivations, Challenges, and Success Factors, [in:] *Advances in Developing Human Resources*, vol. 22, issue 2, DOI: 10.1177/1523422320907050, p. 3.

<sup>90</sup> Panda, S. (2018). *Constraints faced by women entrepreneurs in developing countries: review and ranking*, [in:] *Gender in Management: An International Journal*, vol. 33, no. 4, DOI: 10.1108/GM-01-2017-0003.

<sup>91</sup> Dezan Shira and Associates (2020). *Vietnam Unveils Third Wave of Business Reforms: Resolution 68*, Vietnam Briefing, <https://www.vietnam-briefing.com/news/vietnam-unveils-third-wave-business-reforms-resolution-68.html/> (accessed: 26 July 2024).

<sup>92</sup> Dezan Shira and Associates (2020). *Vietnam Unveils Third Wave of Business Reforms: Resolution 68*, Vietnam Briefing.

In the context of this study, it is important to highlight that the signature of the resolution was celebrated as a great achievement of the earlier ASEAN Economic Reform Programme (AERP), the predecessor to the EIP with cooperation with the Vietnamese Government since 2019.<sup>93</sup> As a part of this cooperation, support was provided to Vietnamese partners through capacity-building and based on sharing of experiences of implementation of the UK's Administrative Burdens Reduction Programme and the One-In, Two Out (OITO) initiative (OPSS, 2023).

Turning to quantifiable results of the intervention, the following data presents the progress made following the promulgation of the Resolution 68:

- According to Eurocham: until 2022: 1,101 business conditions were waived, 641 regulations reduced and simplified, and 3,675 public services integrated and provided on National public service portal.<sup>94</sup>
- According to Vietnamese government news website: between 2021 and late July 2023, 2,452 regulations in 191 legal documents were simplified or reduced.<sup>95</sup> The Ministry of Justice only, between 2021 and 2022, slashed 43 regulations.

As of late June 2023, however, the results of the implementation of the Resolution 68 were seen as generally unsatisfactory by the APCS. The Agency's director publicly declared that the results of the relevant reforms had not met the requirements set by the Vietnamese government, and that further work would be needed to meet the targets.<sup>96</sup> According to APCS, one of the key steps to increase effectiveness of implementation of Resolution 68 was: *"to consult associations, businesses and those to be affected by the business regulation simplification plan"*, ensuring that *"simplifying business regulations does not mean erecting new barriers to businesses."* This was also highlighted in the consultation for this study.

The government has also conducted ex post assessment of the impacts of several SME regulatory policies and there are some reported impacts in the literature. Kabeer (2012, in Congrave, 2020) argue that the Enterprise Law 2000, which simplified registration procedures to an average of 7 days, led to a considerable expansion in the share of female-owned enterprises from around 20% in the 1990s to around 33% in 2009. However, more than 80% of SME support policies and programmes have not had their progress monitored and evaluated, as noted by the Report on the Implementation of Policies and Programmes to assist SMEs in the framework of Decree 56/2009/ND-CP on SME support (OECD, 2018).

## 4.6 Emerging recommendations Vietnam

### 4.6.1 Recommendations on MSMEs and RR in Vietnam

Vietnam has undertaken impressive efforts to improve the efficiency of its administration and administrative processes, including streamlining business and investment regulatory frameworks but there is still room for improvement.

The literature review and the consultation have informed the following recommendations for RR in the field of MSMEs:

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<sup>93</sup> The earlier programme run until the 30<sup>th</sup> of June 2023.

<sup>94</sup> European Chamber of Commerce in Vietnam (2022). *EuroCham tham dự Hội thảo "Khung đánh giá cải cách quy định kinh doanh và giải pháp phân tích dữ liệu"*, <https://eurochamvn.org/vi/eurocham-attended-the-workshop-evaluation-framework-for-business-regulation-reforms-and-data-analysis-solutions/> (accessed: 26 July 2024).

<sup>95</sup> Phuong, K. (2023). *Over 2,300 business regulations streamlined*, Government News, Socialist Republic of Viet Nam, <https://en.baohinhphu.vn/over-2300-business-regulations-streamlined-111230719214354525.htm> (accessed: 26 July 2024).

<sup>96</sup> Viet Nam News (2023). *Efforts to simplify business regulations must be enhanced: Gov't*, <https://vietnamnews.vn/economy/1550316/efforts-to-simplify-business-regulations-must-be-enhanced-gov-t.html> (accessed: 26 July 2024).



- Support the implementation of programme to reduce administrative procedures, this could include for instance paying taxes, which is reported(?) to be time consuming in Vietnam;
- Support digitalisation as a key area of policy complementary with the reduction of regulatory burden.
- Supporting programmes to improve the access to digital infrastructure but with a focus on regulatory compliance, which remains a challenge. This will imply working with STAMEQ to assess which sectors remain of particular concern.
- Develop a set of indicators to monitor the impacts of MSMEs related policies, including the new wave of administrative simplifications (e.g. number of registrations, time and costs to register a business, costs of regulatory compliance, costs of inspections, perceptions of burden, etc.).

### 4.6.2 Recommendations for WEE and RR in Vietnam

Vietnam has made impressive progress in gender mainstreaming and advances towards an equitable security system but there is still a large percentage of women working in the informal economy. A number of recommendations can be done:

- Supporting interventions that enable the recognition, reduction and redistribution of unpaid care work into sectors, for instance through public procurement contracts that recognise gender equality as part of the criteria for public procurement.
- Facilitate knowledge exchange and capacity building to implement practices and policies for gender equality in the workplace, such as HR gender equality training programs.
- Provision of training on standards to help remove gender stereotypes that discourage access to specific sectors, where women are unrepresented, such as ICT but also in sectors where there is a risk from transitioning to digitally based production methods, such as light manufacturing and garment production.
- Support promotion of digital platforms and skills among women in business and key sectors, such as textiles and garments, to close the gaps that businesswomen face in the time available and the access to online information, skills training, and markets.

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## 5 Summary of findings: Barriers and opportunities in the area of MSMEs and WEE in ASEAN economies and RR

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This section summarises the barriers and opportunities for regulatory reform related to WEE and MSMEs in ASEAN based on the findings from Indonesia, Malaysia, and Vietnam, as well as the opportunities for regulatory reform, following good regulatory practices.

### 5.1 Barriers and opportunities for MSMEs and RR

Micro and small enterprises in ASEAN countries play a crucial role in the regional economy. They are considered the backbone of ASEAN economies, contributing significantly to employment, GDP, and national exports. Allowing for different definitions, there are 70 million MSMEs in ASEAN, accounting for between 97.2% – 99.9% of total establishments in ASEAN Member States. Where data is available, micro enterprises often constitute the largest share of enterprises. Regionally, the MSMEs contribute 85% to employment, 44.8% to GDP and 18% to national exports<sup>97</sup>. For the countries considered as case studies, the following figures are available:

- In Malaysia, SMEs make up 97.2% of businesses generating 38.2% of GDP and providing employment for 7.3 million people. Most SMEs operate in the services sector and most are micro businesses (an estimate of 78.7% of total registered MSME). Many MSMEs are family own businesses. Some figures on micro-enterprises suggest that these represent 76.3% of the total SMEs in Malaysia. They are defined as those SMEs with less than 5 employees.<sup>98</sup>
- Indonesia is the country with the largest percentage of MSME employees to total labour force and number of MSMEs more generally, among ASEAN countries. According to data provided by the Ministry of Cooperatives and SMEs of the Republic of Indonesia in 2019, and as reported by the OECD, MSMEs made up 99.9% of the total business population and employed 96.9% of the workforce.<sup>99</sup> Indonesia has progressively developed manufacturing capacity in higher-value end products such as electronic parts and is in 55th position as a trading partner to the UK.<sup>100</sup>
- In Vietnam, SMEs constitute 98% of all businesses. Almost 94% firms are micro- and small-sized. SMEs generate 40% of Vietnamese GDP and provide employment to one in two workers. Importantly, the official data on MSMEs' participation in the Vietnamese economy misses out on the impacts of micro-enterprises' sector. There are about 500 thousand registered firms, as well as more than 5 million 100 thousand (91%) unregistered enterprises and household firms in the country.<sup>101</sup> As of the end of 2019, less than 70% of SMEs in Vietnam operated in the services, sector, around 30% in industry and construction, and more than 1% in agriculture and forestry sector.<sup>102</sup>

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<sup>97</sup> ASEAN (2024). Development of Micro, Small and Medium Enterprises in ASEAN (MSME). Available at: <https://asean.org/our-communities/economic-community/resilient-and-inclusive-asean/development-of-micro-small-and-medium-enterprises-in-asean-msme/>

<sup>98</sup> Lim, Y.S., Rubiyanti, N., Ng, T.H., Widodo, A., Zhee, L.Y., Silvianita, A. (2024). Social Media Marketing for Micro-enterprises in Malaysia: Branding for the Future? [in:] N. Mansour, L. Bujosa, (eds) *Islamic Finance. Contributions to Management Science*, Springer, Cham, DOI: 10.1007/978-3-031-48770-5\_45.

<sup>99</sup> OECD (2022). *Financing SMEs and Entrepreneurs 2022*, [https://www.oecd-ilibrary.org/industry-and-services/financing-smes-and-entrepreneurs-2022\\_13753156-en](https://www.oecd-ilibrary.org/industry-and-services/financing-smes-and-entrepreneurs-2022_13753156-en) (accessed: 26 July 2024).

<sup>100</sup> Department for Business and Trade (2024). *Trade and investment factsheet: Indonesia*, <https://assets.publishing.service.gov.uk/media/6695281afc8e12ac3edafcd4/indonesia-trade-and-investment-factsheet-2024-07-18.pdf> (accessed: 26 July 2024).

<sup>101</sup> OECD (2021). *SME and Entrepreneurship Policy in Viet Nam*, OECD Studies on SMEs and Entrepreneurship, Paris: OECD Publishing, DOI: [10.1787/30c79519-en](https://doi.org/10.1787/30c79519-en), p. 18.

<sup>102</sup> Delegation of the European Union to Viet Nam (2021). *SME Sector and the EVFTA. A Reader Prepared for Roundtable Series on EVFTA, EVIPA, and Post-COVID-19 Economic Recovery in Viet Nam*, [EVFTA and the SME Sector ENG.pdf \(economica.vn\)](https://www.eu-va.org/vn/~/media/2021/11/20211123_eu-va_reader_sme_sector_evfta_evipa_post-covid-19_economic_recovery_in_vietnam_eng.pdf). (accessed: 26 July 2024), p. 9.

2020 saw SMEs struggling to face the challenges related to the COVID-19 pandemic and several businesses turned towards e-commerce to sell their products. Some of the countries considered above introduced specific schemes for SME lending (e.g. Malaysia). This shift towards the online marketplace continues to play a crucial role in SME operations today. From 2016 to 2021, for example, the total value of e-commerce sales in Southeast Asia grew fivefold (or 40%) annually, and e-commerce's share of all retail sales leapt from 5% to 20%. This represents a significant opportunity for MSMEs if the right regulatory setting is provided.

### 5.1.1 Identification of barriers for MSMEs

The main barriers remain access to funding and skill development (based on findings from the interviews and many sources of secondary data).<sup>103</sup> MSMEs have also played a smaller role in the global value chains than larger companies in ASEAN countries. This is also due to non-tariff barriers (NTBs).<sup>104</sup> NTBs are defined as measures other than normal tariffs, which have the effect of restricting trade between nations (OECD, 2018; in OECD, 2018).<sup>105</sup> They include standards, labelling and importing requirements. Areas where these NTBs are more prevalent include automotive, oil and gas, consumer products and agriculture. It also affects electronics, wood products and textiles. When NTBs become barriers for MSMEs, they can hinder the progress of ASEAN countries in further integrating as a regional trading bloc.

According to Gross, J., Intal, P. S. Jr., Setyadi, E. (2018) "regulatory burden" can be understood as materialising in the costs imposed by regulation and enforcement that would otherwise not arise for businesses. The negative impacts of regulatory burden on businesses materialise in administrative and operational requirements; requirements related to the way goods are produced or services supplied; requirements concerning the characteristics of what is produced or supplied; or lost production and marketing opportunities due to prohibitions<sup>106</sup>. Excessive regulatory burden and related compliance costs can negatively impact SMEs' development and push businesses into informality, disproportionately affecting smaller firms. In this context, the work of the different country studies is commendable and they all have significant efforts to reduce the regulatory burdens in MSMEs.

Stakeholder interviews have provided valuable insights into the prevalence of barriers to MSMEs: financial barriers remain a major issue but there are other non-financial barriers to do with digitalisation and access to skills as well as understanding of standards to improve export readiness (these have included interviews with the different ministries in the case study countries)

### 5.1.2 Opportunities for Regulatory Reforms

Regulatory reforms in ASEAN countries are increasingly supporting Micro, Small, and Medium Enterprises (MSMEs) with a focus on digital transformation and integration into the formal economy through the simplification of registrations and other regulatory processes. The main enablers of growth are the creation of partnerships, the development of technological capabilities and knowledge sharing. Stakeholder interviews/Consultation have also revealed the following:

- In **Malaysia**: Recognising the importance of SMEs and to reverse the effects of the pandemic, the Malaysian government has set a number of measures to enhance their performance, such as facilitating access to finance, training programmes to promote digital literacy and innovation, facilitating entry into local and international markets, etc. In addition, special attention is given to Bumiputera (indigenous) SMEs. The Malaysian Code on Governance for MSMEs provides guidance

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<sup>103</sup> E.g. Ab Rani, N. Z. A., et al. 2022; Asian Development Bank (2022), OECD (2021).

<sup>104</sup> OECD (2005); OECD (2019)

<sup>105</sup> OECD (2018). Good Regulatory Practices to Support Small and Medium Enterprises in Southeast Asia, Paris: OECD Publishing, DOI: 10.1787/9789264305434-e.

<sup>106</sup> Gross, J., Intal, P. S. Jr., Setyadi, E. (2018). Reducing Unnecessary Regulatory Burdens in ASEAN [in:] J. Gross, P.S. Intal, Jr. (eds), *Reducing Unnecessary Regulatory Burdens in ASEAN: Country Studies*, Jakarta: ERIA, pp. 1-47, p. 3.

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on best practices for SMEs (MICG, 2024) and it emphasizes transparency, accountability, and sustainable business practices. Further work could be done in the area of reducing non-trade barriers, with particular regard to standards, which could include a benchmarking exercise on how the different sectors are applying the standards and see whether training could be provided to increase the uptake in particular sectors of interest.

- In **Indonesia**: There is a strong policy emphasis on the need to grow the economy through the graduation of SMEs. This imperative underpinned the development of the risk-based approach to business licensing – which has incentivised MSMEs to register and enter the formal economy. To this end, the regulatory initiative has been successful, with over nine million enterprises having registered through the scheme since its inception, in 2021. While not specifically a gender-based policy, given the high concentration of women in MSMEs, there is likely to be a disproportionate impact on women-owned enterprises.
- In **Vietnam**, development of SMEs is seen as the key element of the country's economic development, and the authorities' efforts to facilitate establishment of new businesses in the sector successfully stimulated the number of such firms active in the domestic market. In 2001, Vietnam introduced a definition of an SME into its legal framework and set up the current Agency for Enterprise Development (AED), and the SME Development Council, both of which perform a crucial role in shaping of national policy towards smaller firms. In addition, the 2018 SME Support Law introduced SME-focused support measures and confirmed the government's commitment to promotion of this sector. The cited law is seen as comprehensive, covering various policy areas relevant to SME development, including, for instance, access to finance, and value chain development.<sup>107</sup>

### 5.2 Barriers and opportunities for WEE in ASEAN economies and RR

Women entrepreneurs play a crucial role in the ASEAN economy. The ASEAN Charter emphasizes the importance of women's economic empowerment as a key component of sustainable and inclusive growth in the region. Focus areas include innovation, trade, inclusive business and human capital development.

Earlier 2017 figures suggest that there were an estimated 61.3 million women owning and operating businesses in the ten ASEAN member countries, accounting for 9.8% of the total ASEAN population; although these figures may be a significant underestimate.<sup>108</sup> However, women entrepreneurs and workers face significant barriers across ASEAN countries. This can be observed in respect of the significant labour market gap faced by women workers across the countries within scope which in cases may drive women to foray into entrepreneurship.

Women's participation in business ownership is relatively high across the ASEAN region; however, a relatively large proportion of this activity is concentrated in MSMEs in low-value sectors, including in areas of informal employment, such as street vendor work. Among medium and larger-sized organisations, female leadership or ownership becomes less frequent. For example, in Indonesia, women-owned businesses make up around 60% of small businesses, but these are primarily micro enterprises. Women become entrepreneurs because prospects for work in government, non-government, or private companies are smaller.

The following table shows some statistics about female entrepreneurship in the case study countries. As it can be seen, there would appear to be a significant reduction in ownership by women in Vietnam.

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<sup>107</sup> OECD (2021). *OECD Studies on SMEs and Entrepreneurship SME and Entrepreneurship Policy in Viet Nam*, [30c79519-en.pdf \(oecd-ilibrary.org\)](#) (accessed: 26 July 2024), p. 21.

<sup>108</sup>

**Table 4: Share of firms with female participation in ownership**

Countries	% firms with female participation ownership <sup>3</sup>
Indonesia	c. 22.1% (2015) 59.4% (2023)
Malaysia	25.4% (2015) 40.9% (2019)
Vietnam	51.5% (2015) 24.8% (2023)

The World Bank has produced scores on entrepreneurship. These are depicted in the next table and show the frameworks regulating aspects such as opening a bank account and access to finance; consultation has confirmed that access to credit is indeed an issue for women due to collateral (and with independence to the existing law).

**Table 5: WEE Indicators/barriers on Entrepreneurship (Y-Yes; N-No) – Legal frameworks score<sup>109</sup>**

Country	Can a woman undertake entrepreneurial activities in the same way as a man?	Does the law prohibit discrimination in access to credit based on gender?	Does the law prescribe a gender quota for corporate boards?	Does the law include gender-sensitive procurement provisions for public procurement processes?	Score
Indonesia	Yes	No	No	No	25.0
Malaysia	Yes	No	No	No	25.0
Vietnam	Yes	Yes	No	No	50.0

Source: WBL 2.0. [Snapshots V2 \(worldbank.org\)](https://wbl.worldbank.org)

Compared with men, women in ASEAN countries face a number of disadvantages that curtail their ability to gain greater economic empowerment, including through entrepreneurial activity and employment opportunities. Women face gender stereotypes, lack of access to decision-making and unequal access to resources, among other barriers. The link between export-led manufacturing and the rapid increase in low-cost, feminised labour is also widely recognised. Specific examples include low value, labour intensive light manufacturing industries, such as textiles and garment production, toy manufacture and consumer electronics assembly. The feminisation of work is not simply a matter of more women taking up work that had been traditionally undertaken by men but rather a decline in the terms and conditions of employment, e.g. reductions in wages and lower levels of unionisation, in the sectors concerned (Elias J, 2020).

### 5.2.1 Identification of barriers to WEE

Our analysis has revealed that there is a vast amount of literature, including academic literature, on the barriers to WEE, which include both financial and non-financial barriers (see Annex 2). Among those mostly noted are prevailing socio-cultural norms, where women are pressured to take on

<sup>109</sup> World Bank (2024). *Women, Business and the Law Data*, WBL score and indicators, <https://wbl.worldbank.org/en/wbl-data> (accessed: 26 July 2024).

primary responsibility for the home, which can compound other barriers that thwart female economic empowerment. This norm has proven to be highly resilient. Quantitative analysis of campaigns seeking to shift gender norms among urban millennials in Indonesia, the Philippines and Vietnam found that campaigns targeting job segregation and breadwinning had the greatest impact, while campaigns targeting childcare and leadership showed far weaker impacts. These findings suggest that expectations regarding women seeking employment and earning an income are easier to change than norms on leadership and household duties, particularly childcare. This finding regarding the persistence of normative expectations regarding household duties and childcare also aligns with studies highlighting how, with women's increased participation in labour markets across the region, childcare (and reproductive labour more generally) has predominantly moved along class and ethnic lines, rather than across the gender divide. One of the main issues highlighted in the consultation is the limited possibilities of women to re-enter the labour market after having a first child. Consultation has highlighted the difficulties in ensuring childcare across the case study countries.

In addition to the above, there is an ongoing discussion on the challenges and issues inherent to integrating a gender-focused approach into impact assessments (based on interview responses). Adoption of gender-blind standards (adopting male point of view as a default point of reference) can have detrimental effect on the health of women (e.g. car safety belts, earthmoving equipment or standard air-conditioning settings) (WHO, 2021).<sup>110</sup> Moreover, there are some known examples of national regulatory reforms that had negative, unpredicted spill-over effects on women. The examples include quality standards in the fruit production industry, where women have been excluded from higher value-added export possibilities.<sup>111</sup> Regulatory reforms such as the Malaysian programme aimed at women exporters can be a suitable response to facilitate women's integration in global value chains (as reviewed in the country case study and based on the interviews with ministries and government departments).

### 5.2.2 Opportunities for Regulatory Reforms

The scale of entrepreneurship activities undertaken by women and the level of WEE are strongly influenced by regulatory environments. Regulatory approaches such as the welfare model, tax policies and family policies have a disproportionate impact on women empowerment and entrepreneurship, as revealed by the literature. In addition, discriminatory laws and entrenched social norms significantly shape the business environment for women. These barriers can hinder WEE by limiting their access to resources, opportunities, and decision-making.

Gender inequality remains a barrier to economic development in ASEAN countries. Evidence shows that removing legal barriers to economic opportunities faced by women is associated with increased control of assets which affects access to finance. Some examples of governmental interventions that could contribute to WEE were mapped by Congrave and colleagues (2020).

This research has gathered further evidence of recent regulatory reforms in the countries within the scope but, overall, the conclusion from the analysis of literature around regulatory reforms for WEE in ASEAN countries is that **there is a need to introduce regulatory reforms that account for the specific situation of women in MSMEs and specific sectors; and design the policies to avoid the legal barriers and build on the institutional opportunities; rather than merely address them with policies covering all micro-sized and SME firms in national legislation.**<sup>112</sup> **There are various sets of guidelines and good practices on the inclusion of G&I into standardisation work or broader policymaking.**

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<sup>110</sup> WHO (2021): Gender and health, available at: <https://www.who.int/news-room/questions-and-answers/item/gender-and-health>

<sup>111</sup> UNECE (2019). *Gender Responsive Standards*, [https://unece.org/fileadmin/DAM/trade/Publications/ECE\\_TRADE\\_445E.pdf](https://unece.org/fileadmin/DAM/trade/Publications/ECE_TRADE_445E.pdf) (accessed: 26 July 2024).

<sup>112</sup> Based on findings from the research team through the country analysis

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For instance, UNECE (2019) published guidelines for mainstreaming the gender dimension into standards and policy frameworks.<sup>113</sup> The OECD published a range of documents on this subject, including an extensive toolkit on gender mainstreaming and gender equality promotion (“OECD Toolkit for Mainstreaming and Implementing Gender Equality”)<sup>114</sup> in various areas of public life, including public governance; the “Closing the Gender Gap” report (2012) with a chapter on entrepreneurship<sup>115</sup>; and the international benchmark report on access to public leadership positions for females (2014)<sup>116</sup>. The Council of Europe published its own set of guidelines on gender mainstreaming in policy-making (2016) under the title “Achieving gender mainstreaming in all policies and measures”<sup>117</sup>, while the UNDP RBEC produced a handbook on gender mainstreaming: “Gender Mainstreaming in Practice: A Handbook”.<sup>118</sup> EIGE published a toolkit on mainstreaming of gender approaches in institutional transformation (2016).<sup>119</sup> Fletcher’s *Addressing gender in impact evaluation: What should be considered? (2015)*<sup>120</sup> also provides some useful insights, such as the critical importance of undertaking needs assessments.

### **Key messages from *Addressing gender in impact evaluation: What should be considered?***

- Showing an increase in the number of women participants in an intervention is not the same as demonstrating gender impact; although disaggregation of data by gender is a first step.
- A good intervention design will identify critical inequalities and conduct a needs assessment that clearly identifies gender-related issues. If this needs assessment feeds directly into the programme theory, it will facilitate assessment of the intervention’s gender-related impact and will be more likely to have positive gender-related impact.

There are both barriers and enablers of regulatory reform. For instance, in the area of integrating gender considerations, social and cultural barriers remain. On the other hand, there has been a more recent trend to develop women specific programmes towards empowerment and entrepreneurship in most of the countries within scope, which can be seen as enablers of change. However, a lack of data on WEE and monitoring data can curtail better policy making. This report has summarised the information on WEE for the different ASEAN countries. The following table presents a summary of barriers and enablers of reforms. This is by no means an exhaustive list.

<sup>113</sup> UNECE (2019). Gender Responsive Standards.

<sup>114</sup> OECD (n.d.) *OECD Toolkit for Mainstreaming and Implementing Gender Equality*, <https://www.oecd.org/gov/toolkit-for-mainstreaming-and-implementing-gender-equality.pdf> (accessed: 26 July 2024).

<sup>115</sup> OECD (2012). *Closing the Gender Gap. Act Now*, [https://www.oecd-ilibrary.org/social-issues-migration-health/close-the-gender-gap-now\\_9789264179370-en](https://www.oecd-ilibrary.org/social-issues-migration-health/close-the-gender-gap-now_9789264179370-en). (accessed: 26 July 2024).

<sup>116</sup> OECD (2014). *Women, Government and Policy Making in OECD Countries Fostering Diversity for Inclusive Growth*, [https://www.oecd-ilibrary.org/governance/women-government-and-policy-making-in-oecd-countries\\_9789264210745-en](https://www.oecd-ilibrary.org/governance/women-government-and-policy-making-in-oecd-countries_9789264210745-en) (accessed: 26 July 2024).

<sup>117</sup> Council of Europe (2016). *Achieving gender mainstreaming in all policies and measures*, Council of Europe Gender Equality Strategy <https://rm.coe.int/168064379a> (accessed: 26 July 2024).

<sup>118</sup> UNDP Regional Centre for Europe and the CIS (UNDP RBEC) (2005). *Gender Mainstreaming in Practice: a Handbook*, <https://old.eige.europa.eu/gender-mainstreaming/resources/non-eu-countries/gender-mainstreaming-practice-handbook> (accessed: 26 July 2024).

<sup>119</sup> EIGE (2016). *Institutional Transformation: Gender Mainstreaming Toolkit*, [https://eige.europa.eu/publications-resources/publications/institutional-transformation-gender-mainstreaming-toolkit?language\\_content\\_entity=en](https://eige.europa.eu/publications-resources/publications/institutional-transformation-gender-mainstreaming-toolkit?language_content_entity=en) (accessed: 26 July 2024).

<sup>120</sup> Fletcher, G. (2015). *Addressing gender in impact evaluation. A Methods Lab Publication*. London: Overseas Development Institute & Melbourne: Better Evaluation, <https://odi.cdn.ngo/media/documents/9934.pdf> (accessed: 26 July 2024).

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**Table 6: Regulatory reforms – barriers and enablers (examples)**

Type of regulatory reforms	Barriers	Enablers	Examples/notes
Integrating gender considerations into the design and implementation of policies, laws, regulations, and standards is key to ensure better regulation for WEE	Negative attitude towards women Lacking equality within property and labour law	Government-led programmes supporting WEE	There are some examples of government led programmes in Cambodia, Malaysia, Philippines, Vietnam but in the Philippines women have less ownership rights than men
Evidence based decision making, targeting sectors where women are part of the informal economy to encourage entrepreneurship and movement into the formal economy	Lack of business knowledge Lacking mobility Unsupportive family members Lack of time due to parental/familial caring responsibilities Greater reliance on spouses when starting and managing a business	Childcare support Training Data on business activities, entrepreneurship, or women-owned businesses	In Malaysia, the law does not prohibit discrimination based on gender although there is support for childcare.  Different levels of data availability according to countries (Indonesia, Malaysia and Philippines have sex disaggregated data)
Thorough better impact and regulatory impact assessment practices, where gender impacts are added to the assessment together with impacts on SMEs.	Procedural challenges	Data on business activities, entrepreneurship, or women-owned businesses  Good government practices in mainstreaming gender into policy making	The Philippines has gender sensitive procurement provisions but women have not the same ownership rights.  More generally, there is a lack of monitoring data  Vietnam has simplified registration procedures
Reducing administrative burden, simplification of registration and administrative requirements for women running businesses, obtaining licences	Lacking equality within property and labour law	Equal ownerships rights  Gender-sensitive procurement provisions	
Developing effective monitoring and evaluation frameworks, in terms of gender participation in management boards and other indicators, such as access to credit, digital skills, etc.	Procedural challenges	Data on business activities, entrepreneurship, or women-owned businesses	Indonesia, Malaysia and Philippines have sex disaggregated data on industries and sectors

The literature review conducted for this study has shown some recent attempts to reconcile women’s position in business with their familiar roles. Some of these advances include:

- Development of government-led programmes to support female entrepreneurs such as access to finance, training, coaching and business development or regarding agency and empowerment (e.g. Cambodia, Malaysia, Philippines and Vietnam).
- National government plans or strategies with a focus on women’s access to financial services (e.g. Cambodia, Indonesia, Malaysia, Philippines and Vietnam).



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- Creation of specific units within government organisations to account for gender and inclusion into strategies and development programmes (e.g. Cambodia, Indonesia).

The following table sets out some specific examples of these advances, found in the literature and consultation, *vis a vis* specific barriers. However, the impact of COVID-19 for women across South-East Asia has undermined many gains won in recent decades. This context makes this type of initiative by OPSS and more generally the AEIP particularly significant.

**Table 7: Barriers encountered in WEE and MSMEs in ASEAN countries and examples of interventions**

Category	Barriers	Examples of interventions
Training and networks	<ul style="list-style-type: none"> <li>• Negative attitude towards women in business</li> <li>• Fewer educational/training opportunities</li> <li>• Lack of business knowledge on account of minimal exposure</li> <li>• Greater reliance on spouses when starting and managing a business</li> <li>• Lack of networks to support business start-up and growth</li> </ul>	<ul style="list-style-type: none"> <li>• Developing Human Capital with Particular Focus on Women and Youth (Cambodia)</li> <li>• Strengthening entrepreneurial education (Cambodia)</li> <li>• Supporting programmes targeted at women (e.g. MATRADE Women Exporters Development Programme, Malaysia)</li> </ul>
Psychological	<ul style="list-style-type: none"> <li>• Lack of confidence</li> </ul>	<ul style="list-style-type: none"> <li>• Outreach activity for women in rural locations – e.g. trade shows and support for the development of micro businesses (Indonesia) and use of mentors in local communities (Malaysia)</li> </ul>
Structural	<ul style="list-style-type: none"> <li>• Barriers to markets</li> <li>• Barriers to finance</li> <li>• Lack of access to technology</li> <li>• Procedural challenges</li> <li>• Lacking equality within property and labour law</li> </ul>	<ul style="list-style-type: none"> <li>• Increased civil servant training on gender-equitable procurement processes (Indonesia)</li> <li>• Setting gender-based targets for the proportion of recipients for entrepreneurship activity/programmes (Malaysia)</li> <li>• Increase Access to Finance (including the design of a dedicated WMSME fund operated by the SME bank (Cambodia)</li> </ul>
Household	<ul style="list-style-type: none"> <li>• Lack of time due to parental/familial caring responsibilities</li> <li>• Lacking mobility</li> <li>• Unsupportive family members</li> </ul>	<ul style="list-style-type: none"> <li>• Family supportive laws supporting persons engaged with childcare and maternity (Vietnam)</li> <li>• Supporting WMSMEs to cope with the current global pandemic (Indonesia)</li> <li>• The gender-mainstreaming assessment of laws being drafted on employment issues (Vietnam)</li> </ul>

Consultation on the regulatory reforms on the case studies have revealed that:

- In Malaysia, a number of initiatives have been supportive of WEE, including support to exporting. The Bumiputera, Women and Youth Exporters Development Programme (BWYEDP) was established in 2004 to support target groups in exploring their potential in international markets as well as to create a pool of competitive and resilient exporters. The BWYEDP provides intensive

training in exporting for selected companies. The training is tailored to each company's needs, including competency enhancement, capacity building, exposure to international business, networking and mentoring as well as leadership and entrepreneurship development. From 2004 to 2022, 954 trade promotional activities were conducted for participating companies under the BWYEDP. A total of RM2.3 billion in export sales were recorded by these companies. In 2022, total exports sales recorded by the participating companies was RM 116.5 million, an increase of 53.9% year-on-year.

- In Indonesia, there are initiatives that seek to assist WEE. From a governmental perspective, an overarching strategy is not in place, to engender WEE. However, the Presidential Regulation (Perpres No. 2/2022) on National Entrepreneurship Development for 2021–2024 did recognise the importance of fostering more women entrepreneurs, which was one of the six key pillars outlined in the regulation. Other developments have also sought to boost women's entrepreneurial opportunities. For example, Limited Liability Companies can now be commenced by a single individual, where previously a minimum of two people were required. This development will help more women to open up companies independently of their spouse.
- In Vietnam government has adopted a mainstreaming approach when it comes to WEE support through regulatory reforms. Several laws, such as laws on Employment (2015), Social Insurance (2016), or the Labour Code (2019) have been subject to gender mainstreaming in the drafting stage. Crucially, female-supportive provisions have been mainstreamed through the 2017 law on support to SMEs. The 2014 Vietnam's PIT law reform introduced individual assessment for each income earner, whereas previously the declarations had been submitted separately. Moreover, Vietnam introduced reforms to its maternity-related provisions.

### 5.3 Measuring the impact of regulatory reform

There are well known benefits from monitoring regulatory interventions. Schou-Zibell and colleagues (2010) argued that monitoring the impacts of reforms against relevant indicators and comparative benchmarking might incentivise structures that support the implementation of good practices, based on peer pressure mechanisms. In this context, structured evaluations were mentioned as a tool that provide insight into progress and highlight areas for improvement. Moreover, comparative benchmarking was described as a method that makes it possible for national economies to compare each other's progress in the implementation of reforms, foster such reforms, and strengthen cooperation between the public and private sector. Finally, regional collaboration was described as a strategy that encourages countries to follow each other's progress in reforms and stimulates international exchange of knowledge on best practices fostering progress in regulatory reforms.<sup>121</sup>

In this context, ASEAN countries have established practices of self-reporting regulatory reforms in the lead-up to the establishment of the ASEAN Economic Community, through the AEC Scorecards that were developed by the ASEAN Secretariat. The practice of countries self-reporting regulatory reforms has existed alongside external monitoring conducted by the Economic Research Institute for ASEAN and East Asia (ERIA) and the CIMB ASEAN Research Institute (CARI). Proposed monitoring practices can, therefore, seek to connect to these existing processes and organisations.

However, there are some inherent limitations to monitoring of impacts of national regulatory reforms with standardised indicators. For example, Schou-Zibell and colleagues (2010) pointed out that:

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<sup>121</sup> Schou-Zibell, L., Madhur, S. (2010). Regulatory Reforms for Improving the Business Environment in Selected Asian Economies — How Monitoring and Comparative Benchmarking Can Provide Incentive for Reform, Asian Development Bank, [Regulatory Reforms for Improving the Business Environment in Selected Asian Economies — How Monitoring and Comparative Benchmarking Can Provide Incentive for Reform by Srinivas Madhur, L Schou-Zibell :: SSRN](#), (accessed: 26 July 2024).

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- Measurement of effects of particular reforms can be challenging, in so far as the indicators used often simplify complex regulatory and administrative structures, in result, measuring subjective perceptions.
- There is a need to account for characteristics of a given local context (e.g., country-specific).
- There is a time gap between the intervention and its impacts.
- Indicators are sometimes analysed as if they were supposed to stand in isolation, while they should be viewed in the context of the analysis, together.
- There is a strong need for the application of both quantitative and qualitative assessments to get a full picture.<sup>122</sup>

Internationally, there are some known approaches to monitoring progress in the delivery of business-relevant regulatory reforms and their impacts. The example of a set of well-recognised indicators used internationally to assess impacts of regulatory reforms are the OECD's Product Market Regulation (PMR) indicators. The PMR indicators have been compiled with the aim of measuring to what extent various types of regulations hamper or promote competition among firms, and make it possible to identify best practices in different economies [...].<sup>123</sup> Another set of indicators used to assess national business environments (in a broader manner than the above-mentioned OECD framework) is presented in WEF's Global Competitiveness Report.<sup>124</sup> The World Bank's B-Ready (Business Ready) benchmark compares the environment for doing business and investing in different countries, including the regulatory frameworks in place and public services directed at businesses.<sup>125</sup>

Looking at the ASEAN as a region, one needs to consider divergence of national interests, possibly leading to different outcomes of regulatory reforms for specific national economies. This may emphasise the importance of delivering a tailored framework for the programme. Some examples provided by Jones and Hameiri (2020) include: integration of ASEAN's aviation sector (divergence between economic interests of Malaysian, Indonesian, and other countries' airlines led to the lack of uniform support for such a development), or liberalisation of the energy sector in ASEAN (domestic political interests on a national level undermined political support for such an initiative).<sup>126</sup> Another example was provided by Jones (2015), regarding mutual recognition agreements (MRAs) in ASEAN. As pointed out by Jones (2015), the uneven opening of the skilled labour markets and the varied content of mutual recognition agreements of professional qualifications reflected whether the relevant domestic professional bodies would gain from greater labour mobility, with these agreements actually undermining the benefits of any reforms aimed at facilitating the transfer and migration of workers.<sup>127</sup>

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<sup>122</sup> Schou-Zibell, L., Madhur, S. (2010). Regulatory Reforms for Improving the Business Environment in Selected Asian Economies — How Monitoring and Comparative Benchmarking Can Provide Incentive for Reform, Asian Development Bank.

<sup>123</sup> OECD (2021). *The Regulation of Goods and Services in Indonesia, an International Comparison*, <https://issuu.com/oecd.publishing/docs/oecd-product-market-regulation-in-indonesia-2021?fr=sOGUzYzi5ODk2NDE> (accessed: 26 July 2024), p. 7.

<sup>124</sup> World Economic Forum (2020). *The Global Competitiveness Report, Special Edition 2020, How Countries are Performing on the Road to Recovery*, [https://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2020.pdf](https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf) (accessed: 26 July 2024).

<sup>125</sup> World Bank (2024). *Business Ready (B-READY), The World Bank's flagship report on business environment worldwide*, <https://www.worldbank.org/en/businessready> (accessed: 26 July 2024).

<sup>126</sup> Jones, L., Hameiri, S. (2020). Southeast Asian Regional Governance: Political Economy, Regulatory Regionalism and ASEAN Integration, [in:] T. Carroll, S. Hameiri, L. Jones (eds) *The Political Economy of Southeast Asia, Politics and Uneven Development under Hyperglobalisation*, 4th edition, pp. 199-224, Palgrave Macmillan, DOI: 10.1007/978-3-030-28255-4, pp. 218-219.

<sup>127</sup> Jones, L. (2015). Explaining the Failure of the ASEAN Economic Community: The Primacy of Domestic Political Economy, [in:] *The Pacific Review* 29(5) pp. 647–70, DOI: 10.1080/09512748.2015.1022593.

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The OPSS Program Closure Report for ARR from June 2023 pointed in some cases to a lack of knowledge, data, and understanding of the rationale and methodology behind mainstreaming of G&I approaches into regulatory reforms in the countries addressed by the intervention.<sup>128</sup> In light of the above, the current study is crucial to understand the causal chains linking specific regulatory interventions with broader SME impacts, and specifically, impacts on women in economies in ASEAN countries, with the assumption that extrapolations can be accomplished based on existing indicators such as the World Bank WBL, and taking into account adjustments based on national stakeholders' inputs, but specific indicators can also be developed.

The monitoring and effective implementation, including enforcement, of policies is critical to ensure that the reforms deliver on the desired outcomes. In Cambodia, for example, the government introduced extensive labour reforms for care provisions, under the guidance of the ILO. These included requirements for maternity leave, return to work arrangements, and day-care services and nursing rooms for companies with more than 100 employees. While these provisions are widely known, many companies avoid compliance by subcontracting to non-compliant factories or using fixed-duration employment contracts.

In the context of ASEAN, Jones (2015)<sup>129</sup> argued that it is the lack of capacity to make or enforce regulations that is hampering an economic community in ASEAN countries. Furthermore, while a range of measures to support women's labour force participation have been implemented globally, particularly as it relates to the care economy, there is a lack of evaluative research analysing their effectiveness.<sup>130</sup>

Workplace Gender Equality reporting, as part of companies' ESG reporting, has been highlighted as reinforcing companies' commitment and accountability to gender equality. While companies are increasingly reporting on basic criteria, recent research in the Philippines through DFAT's Investing in Women program highlighted the need for incorporating more specific data points that can accurately reveal the status of women in companies.

It can be added that there is a need for unification of definitions and measures to foster data collection and benchmarking, and hence, to strengthen international cooperation. The examples include the definition of an SME (or MSME), differing between the analysed countries, or the definition of a female-owned enterprise.

Overall, it has been difficult to find a relevant and comprehensive set of indicators to evaluate and monitor the impacts of the regulatory reforms describe above. In recent years however, significant efforts have been made to implement good practices and it is only expected that in the future, these practices will include a more established framework of indicators to monitor progress.

A key challenge for ASEAN Member States is that there are different reporting mechanisms across the relevant jurisdictions and an urgent need for alignment behind universal indicators. UN Women's newly created WEPs Transparency and Accountability Framework presents a unified set of gender reporting indicators (including indicators to measure workplace gender equality and gender equality in the marketplace) that embrace the different dimensions essential to create transformational change in the private sector and are applicable regardless of geography. The following table presents these indicators. There are other indicators that can be used to monitor progress against specific barriers, such as number of women accessing credit and financial services and volume of loans, employment rate in the informal sector, number of women participating in business training and

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<sup>128</sup> OPSS (2023). Article 80 [in:] ASEAN Regulatory Reform Programme – Final Report.

<sup>129</sup> Jones, L. (2015). Explaining the Failure of the ASEAN Economic Community: The Primacy of Domestic Political Economy, [in:] *The Pacific Review* 29(5) pp. 647–70, DOI: 10.1080/09512748.2015.1022593

<sup>130</sup> Stephenson, E., Ryan, M., Weaving, M., Bharka, B. (2023). *The Care Economy in Vietnam, the Philippines & Indonesia*, Canberra: Australian National University. <https://investinginwomen.asia/wp-content/uploads/2024/01/Initial-Landscape-Study-Care-Economy.pdf> (accessed: 26 July 2024).

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capacity-building programs and impact of training on business performance and skills development, compliance rates with safety and quality standards among women-led MSMEs, etc.

**Table 6: UN Women: WEPs Transparency and Accountability Framework – standardised gender reporting indicators**

<b>Women in Leadership</b>	Percentage of women in senior leadership level positions
	Percentage of women on non-executive board (only for companies with a non-executive board)
<b>Equal Pay</b>	Ratio of the basic salary and remuneration of women to men for each employee, by category, by significant locations of operation
<b>Equal Opportunities in the Workplace</b>	Percentage of new hires who are women
	Percentage of promoted employees who are women
	Retention rate of employees that took parental
<b>Safe &amp; Inclusive Workplaces</b>	Has confidential, anonymous grievance, resolution and non-retaliation mechanisms and procedures to address and respond to reports and incidents of violence and harassment
<b>Other complementary indicators</b>	Percentage of Procurement spend with women-owned businesses
	Percentage of procurement spend with businesses with gender equality commitments

Source: ASEAN (2022)<sup>131</sup>

<sup>131</sup> ASEAN (2022). Advancing Gender and Business Reporting to Implement the Women’s Empowerment Principles (Weps) as Part of an Inclusive Covid-19 Economic Recovery Asean Policy Action Brief, [UNW - ASEAN POLICY BRIEF - 0929 FOR PRINT.indd \(unwomen.org\)](#) (accessed: 26 July 2024).

## 6 Conclusions and recommendations

Based on the country research in Indonesia, Malaysia, and Vietnam, as well as based on a broader literature review and CSES' technical subject expertise, this section presents the findings on the regulatory reforms and policy interventions on WEE and MSMEs in the ASEAN.

The section includes an overview of existing good practices, challenges, and possible ways forward to promote improvement of monitoring of RR interventions in the ASEAN, including a gender-sensitive assessment approach.

### 6.1 Regulatory reforms and business environments

The characteristics of a business environment are a key determinant in the level of investment and productivity of national economies. A business-conducive environment can provide efficiencies that reduce the costs of running a business and stimulate competitiveness, thereby fostering dynamic and long-term economic growth.

Regulation helps to shape national business environments, alongside structural and administrative factors. Some characteristics of business growth-conducive regulations include efficiency, accessibility to all, simplicity of implementation, and sustained commitment from policymakers to improving competitiveness. A business-friendly investment environment requires clear rules: rules that establish and clarify property rights, reduce the cost of resolving disputes, increase the predictability of economic interaction, and provide contractual partners with core protections against abuse.

Regulatory reforms (RR) also have the potential to specifically improve the environment for MSMEs and women entrepreneurship and economic empowerment. Regulatory reforms are understood to be any effort to change the rules or requirements aimed at individuals, organisations and industries to ensure it remains fit for purpose and aligns with regulatory strategy objectives. In the context of this study, the focus is on improvements to regulatory frameworks and the overall business environment that can improve the situation of MSMEs and WEE.

#### Examples of RRs with positive impacts on WEE and MSMEs

Regulatory reforms can significantly impact small and medium-sized enterprises (SMEs) and improve the strength of women's economic empowerment. Here are some key types of reforms that can foster growth and inclusion:

##### Legal Framework Reforms:

- **Property Rights:** Ensuring women have equal rights to own and inherit property can enhance their ability to secure financing and start businesses.
- **Business Registration:** Simplifying the registration process for businesses can reduce barriers for MSMEs, where women play a crucial role, making it easier to start and operate MSMEs.

##### Access to Finance:

- **Microfinance Regulations:** Creating supportive regulations for microfinance institutions to improve access to credit for women-owned businesses - enabling them to invest and grow.
- **Digital Financial Inclusion:** Promoting access to digital financial services can empower women-led MSMEs.

##### Workplace Regulations:

- **Anti-Discrimination Laws:** Implementing and enforcing laws that prevent discrimination in hiring and promotion can help women advance in their careers and contribute to economic growth.

**Supportive Policies:**

- Incentives for Women Entrepreneurs: Offering tax breaks, specific programmes and/or grants specifically for women-owned businesses can encourage entrepreneurship and innovation.

**Training and Capacity Building:**

- Skills Development Programs: Regulatory support for training programs can equip women with the skills needed to succeed in various industries, enhancing their economic participation.

This report has centred on two main regulatory reforms which aimed at improving the regulatory environment for MSMEs: the risk-based licencing system in Indonesia and Regulation 68, in Vietnam. In Malaysia, a further intervention is examined, consisting of supporting exports for women entrepreneurs within the context of RR initiatives to simplify trade procedures. Evidence on the success of the policies is not considered to be abundant, although consultation has suggested some moderate success overall. The examination of evidence have provides useful insight into the trends and on-going RR in ASEAN. Some common findings from the case studies in this regard are:

- Generally, there is a good level of government effort to support MSMEs and WEE across the region in the form of financial and non-financial support, but success and, more importantly, information on the level of success of the policies is varied or sparse, hindering the extent to which it can be benchmarked;
- Over recent years, ASEAN governments have embraced good regulatory practices in policy making and developed the institutional settings for their implementation (e.g. specialised government departments and specific guidelines focused on considering impact ex-ante, assessing impacts on SMEs and consultation requirements and guidelines)
- There has also been a common effort across the region to reduce administrative burdens on companies.

However:

- Women and MSMEs continue to face challenges to upscale activities (lack of skills or capacity to deal with standards and labelling, balancing family demands, cultural barriers, etc.) which are hindering the positive effects from regulatory reforms
- There is limited evidence on the impacts from regulatory reforms in the medium-to-long term - so it is difficult to assess the sustainability of impacts from the policies.

The available literature and consultation suggests that implementation and maintenance of digital solutions can be particularly challenging for smaller firms, due to operational and financial capacity constraints.<sup>132</sup> SMEs often remain hesitant to adopt technological innovations, as they perceive the costs and risks connected as too high.<sup>133</sup> The SME digitalisation gap also results from factors such as: lack of information and awareness, skills gaps, or lack of relevant organisational practices and access

<sup>132</sup> Alexandrova, E., Zabolotskaya, V. (2022). Opportunities and Limitations for the Digital Economy Development: case of the SME sector of Vietnam, [in:] *IV International Scientific and Practical Conference (DEFIN-2021)*. New York: Association for Computing Machinery, Article 88, pp. 1-5. DOI: 10.1145/3487757.3490943.

<sup>133</sup> Habaradas, R. B., Mia, R. I. B. (2018). ASEAN ICT developments: Current state, challenges, and what they mean for SMEs, [in:] *6th National Business and Management Conference Proceedings*, [https://www.researchgate.net/profile/Ian-Benedict-Mia/publication/341368761\\_ASEAN\\_ICT\\_developments\\_Current\\_state\\_challenges\\_and\\_what\\_they\\_mean\\_for\\_SMEs/links/5ebcaeab92851c11a8677f0d/ASEAN-ICT-developments-Current-state-challenges-and-what-they-mean-for-SMEs.pdf?\\_tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmtpY2F0aW9uIiwicm90aW50IjpbImZpcnN0UGFnZSI6InB1YmtpY2F0aW9uIn19](https://www.researchgate.net/profile/Ian-Benedict-Mia/publication/341368761_ASEAN_ICT_developments_Current_state_challenges_and_what_they_mean_for_SMEs/links/5ebcaeab92851c11a8677f0d/ASEAN-ICT-developments-Current-state-challenges-and-what-they-mean-for-SMEs.pdf?_tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmtpY2F0aW9uIiwicm90aW50IjpbImZpcnN0UGFnZSI6InB1YmtpY2F0aW9uIn19) (accessed: 26 July 2024).

to digital technology.<sup>134</sup> There are also challenges to smaller businesses' digitalisation that are specifically of a regulatory character. The study identified the following factors, based on the consultation and literature review:

- Difficulties in adaptation to changing regulatory frameworks, such as ensuring compliance, due to the investment of assets required in order to monitor and interpret the upcoming and on-going regulatory changes, and to adjust internal procedures accordingly.
- Challenges in dealing with data privacy issues and lack of trust towards providers of digital services, and national governments when it comes to reliability and security of digital ecosystems
- Lacking knowledge of available legal tools to address misuse of data in digitally-mediated business transactions<sup>135</sup>.

In addition to the above, there is a main challenge affecting policy design and implementation by governments. The lack of available data making makes it difficult to accurately plan policy interventions and regulatory reforms addressing smaller firms, in particularly with regard to micro-sized enterprises. The OECD estimates that across OECD countries, 90% countries are not covered by international statistics on digital uptake by businesses.<sup>136</sup>

### 6.1.1 RR and WEE, barriers and opportunities across ASEAN

Interventions made in recent decades to support women to enter the labour market have generated an increase in female labour participation. However, this increased labour market participation has not been at the expense of the widely held notion that women are primarily responsible for home duties, rather than care work and/or household duties shifting across the gender divide or being taken on by private or public service providers. Women's increased labour force participation has, consequently, resulted in an increased burden overall (what has been termed women's "double burden") in that they are responsible both for household duties as well as earning an income. While at one level the 'economic empowerment' that such interventions nominally offer is positive, the result is often an intensification of the difficulties faced by women in reconciling unpaid reproductive work with economic contributions to household livelihoods.<sup>137</sup>

Prevailing social-cultural norms have been identified as significant barriers to enhanced WEE. Across the region a pervasive norm limiting women's labour market participation is the expectation that women are primarily responsible for unpaid domestic duties<sup>138</sup>, which can compound other WEE challenges and barriers. This expectation operates alongside more culturally specific norms regarding WEE. For example, in Malaysia women have traditionally been responsible for handling the household income and men for generating household income through commercial activities. Malaysian women have expressed a discomfort with entrepreneurialism and sought to become entrepreneurs only in

<sup>134</sup> Kergroach, S. (2021). *SMEs Going Digital: Policy challenges and recommendations*, OECD Going Digital Toolkit Notes, No. 15, Paris: OECD Publishing, DOI: [10.1787/c91088a4-en](https://doi.org/10.1787/c91088a4-en), [SMEs Going Digital: Policy challenges and recommendations \(oecd-ilibrary.org\)](https://oecd-ilibrary.org), p. 9.

<sup>135</sup> Ab Rani, N. Z. A., et al. (2022). Analysing the Challenges in Adopting Digitalisation among SMEs: A Case Study in Malaysia, [in:] *Res Militaris*, vol. 12, no. 4, [https://www.researchgate.net/profile/Mohd-Khairi-Ismail/publication/366440604\\_Analysing\\_the\\_Challenges\\_in\\_Adopting\\_Digitalisation\\_among\\_Smes\\_A\\_Case\\_Study\\_in\\_Malaysia/links/63a1be10095a6a777445b3d0/Analysing-the-Challenges-in-Adopting-Digitalisation-among-Smes-A-Case-Study-in-Malaysia.pdf?tp=eyJjb250ZXh0Ijp7ImZpcnNOUGFnZSI6InB1YmxpY2F0aW9uIiwicGFnZSI6InB1YmxpY2F0aW9uIn19](https://www.researchgate.net/profile/Mohd-Khairi-Ismail/publication/366440604_Analysing_the_Challenges_in_Adopting_Digitalisation_among_Smes_A_Case_Study_in_Malaysia/links/63a1be10095a6a777445b3d0/Analysing-the-Challenges-in-Adopting-Digitalisation-among-Smes-A-Case-Study-in-Malaysia.pdf?tp=eyJjb250ZXh0Ijp7ImZpcnNOUGFnZSI6InB1YmxpY2F0aW9uIiwicGFnZSI6InB1YmxpY2F0aW9uIn19) (accessed: 26 July 2024), p. 507.

<sup>136</sup> OECD (2021). *OECD Studies on SMEs and Entrepreneurship: The Digital Transformation of SMEs*, bdb9256a-en.pdf (oecd-ilibrary.org) (accessed: 26 July 2024), Paris: OECD Publishing, DOI: 10.1787/20780990.

<sup>137</sup> Chant, S. (2014). 'Exploring the "Feminisation of Poverty" in Relation to Women's Work and Home-Based Enterprise in Slums of the Global South, [in:] *International Journal of Gender and Entrepreneurship* 6(3), pp. 296-316, DOI: 10.1108/IJGE-09-2012-0035, p. 297.

<sup>138</sup> Stephenson, E., Ryan, M., Weaving, M., Bharka, B. (2023). *The Care Economy in Vietnam, the Philippines & Indonesia*, Canberra: Australian National University, <https://investinginwomen.asia/wp-content/uploads/2024/01/Initial-Landscape-Study-Care-Economy.pdf> (accessed: 26 July 2024).



ways that align with female norms for economic activity, such as through multi-level marketing, where women sell products through social networks and are paid on commission, rather than salary.<sup>139</sup> In some countries, these norms have been articulated by, and furthered through, government and religious institutions. This can be observed with regard to Indonesia.

Other indicators may also help to explain some of the above differences. For instance, women face pronounced difficulties in gaining access to finance or networks and mentors that could help in business development.<sup>140</sup>

Moreover, although there is legal equality, in theory, it is not necessarily enforced. There is also the absence of mandatory maternity, paternity, or parental leave provisions, a factor affecting a woman's potential re-entry into the labour market after having children.<sup>141</sup>

Research also indicates that firms owned or led by women are often small businesses and more dependent on trade finance (World Bank and WTO, 2020). Yet, evidence from the Asian Development Bank (ADB, 2016, 2017, 2021) shows that trade finance requests made by women-led businesses have a higher rejection rate and fewer than 20% of the women interviewed had received trade finance. There are also gender biases in lending practices and investors preferences, due to the small number of women investors and lenders (OECD, 2023).

The following table encapsulates some of the most frequent barriers that women can encounter regarding economic empowerment as highlighted in the reviewed literature to date, by category.

**Table 7: Constraints faced by SMEs owned by females**<sup>142,143</sup>

Social/cultural	Psychological	Structural	Gender specific	Support structures
Negative attitude towards women in business	Lack of confidence	Barriers to markets	Lack of time due to parental/familial caring responsibilities	Lack of networks
Fewer educational/training opportunities		Barriers to finance	Lacking mobility	Lack of role models
Lack of business knowledge		Lack of access to technology	Unsupportive family members	
Greater reliance on spouses when starting and managing a business		Procedural challenges	Lacking equality within property and labour law	

Source: CSES (2024) based on literature review findings

<sup>139</sup> Olsen, S. F. (2013). Approaching Entrepreneurship: Female Ambivalence towards Expectations of Modernity in Malaysia [in:] E. Bråten (ed.) *Embedded Entrepreneurship: Market, Culture, and Micro-Business in Insular Southeast Asia*, pp. 103-24, Leiden: The Netherlands, Brill.

<sup>140</sup> International Finance Corporation (2023). *Trade finance in the Mekong region, A study of Cambodia, the Lao People's Democratic Republic and Viet Nam*, World Bank Group, <https://openknowledge.worldbank.org/server/api/core/bitstreams/936f8a8c-d6b7-46bd-acf0-f88129970df5/content> (accessed: 26 July 2024), p. 40.

<sup>141</sup> UN ESCAP (2022). Strengthening Women's Entrepreneurship in National Micro, Small and Medium Enterprise Policies and Action Plans Toolkit for Policymakers, <https://asean.org/wp-content/uploads/2022/11/FINAL-Policy-Toolkit-Strengthening-Womens-Entrepreneurship-in-MSME.pdf> (accessed: 26 July 2024).

<sup>142</sup> Tur Porcar, A., et al. (2016). Barriers to women entrepreneurship. Different methods, different results?, [in:] *Quality & Quantity*, Vol. 51, pp. 2019-2034, DOI 10.1007/s11135-016-0343-0.

<sup>143</sup> Dea, V. (2019). *An Overview of Support for Women Entrepreneurs in Indonesia and Canada: Focus on SMEs and Start-Up*, Indonesia Canada Chamber of Commerce, <An-Overview-of-Support-for-Women-Entrepreneurs-in-Indonesia-and-Canada.pdf> (angin.id) (accessed: 26 July 2024).

Prevailing socio-cultural norms are important when considering the types of regulatory reforms to be designed and implemented. This is because interventions that target women, without appropriate support, can result in individual women bearing significant costs for contravening gender norms and acting outside of what is expected. In-depth consultation should be conducted with women, across discrete professional classifications of the sectors concerned, to mitigate unintended consequences from the implementation of regulatory reforms.

Some opportunities are however visible on the horizon. For instance, there is an increased awareness of the need to promote women's financial inclusion, including access to credit, with national strategies being developed to this end. Indeed, most of the countries within scope have such strategies in place, as revealed in the country reports (provided alongside this report). There is a continuous need to enhance initiatives and support provided for women entrepreneurs in economic sectors that are traditionally dominated by women, but also to promote increased participation of women in other sectors. This can be done by intensifying efforts to build the capacity and capabilities of women with the latest entrepreneurial development trends, such as digital literacy, financial literacy and better understanding of the business ecosystem (demand-supply, product resources, supply chains and cash flow), as highlighted in consultation.

### 6.1.2 RR and MSMEs, barriers and opportunities across ASEAN

There are some common aspects found across the different countries that are the focus of the study. Enhancing regulatory frameworks that specifically support MSMEs and promote WEE is crucial for fostering inclusive economic growth in ASEAN.

The benefits of regulatory simplification have been recognised by the ASEAN member states, including the three under focus. Indeed, streamlining of permits and business registration was made one of the expected outcomes of the ASEAN Strategic Action Plan for SME Development (2016-2025), under the: "Enhance Policy and Regulatory Environment" strategic goal.

In terms of opportunities, increased access to credit for MSMEs is generally an enabler for growth, but most ASEAN MSMEs lack the skills needed to grow and upscale the business. This is indeed a barrier that needs addressing; as most ASEAN governments are moving to facilitate credit tools for small businesses. Other barriers include the fear of entering the formal economy, with many MSMEs remaining outside the formal economy; and access to infrastructure, including digital infrastructure.

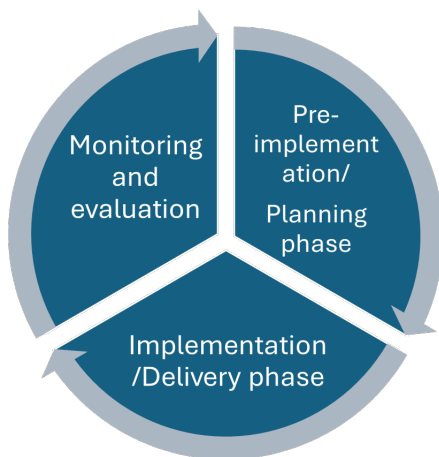
These findings were highlighted in discussions during the workshop undertaken for this project, that confirmed many of the barriers applying to WEE and MSMEs described above (double-burden, lack of digital skills, access to credit, excessive regulatory burden, etc). In addition, the workshop highlighted the opportunities that digitalisation presents, but a need to communicate and engage with the local groups for these policies to be effectively delivered. The workshop confirmed the existence of many stakeholders working towards the same objectives but sometimes their actions feel fragmented.

## 6.2 Recommendations for Regulatory Reforms and Better Regulation

This section provides recommendation on interventions that could work better to achieve WEE and MSMEs outcomes across ASEAN as a region more generally. In this regard, our recommendations are as follows:

- **Support programmes that build on innovation and technology:** including the use of digital tools to further engage with stakeholders and upskilling and promotion of equitable access to digital assets. This could include creating platforms for women entrepreneurs to connect and collaborate and could be sector specific, with guidance on the interpretation of standards and help to address non-financial barriers. These programmes should ensure that women have access to innovation support services and standard certification services.

- **Support the implementation of ASEAN commitments towards women-owned and operated MSMEs:** This could include specific programmes, such as those by MATRADE and women export programmes. It could include specific support in areas such as access to ICE and improving business skills. The EIP should support the implementation of strategies towards the formalisation of employment within the informal sector (e.g. home-based workers and/or teleworkers such as in the garment industry in Vietnam and/or increasing formal work for women in the consumer electronic assembly in Malaysia). Specific challenges and priorities will inevitably vary across ASEAN countries but collectively, efforts should be made towards the broader objectives of the ASEAN block. The ASEAN Charter is legally binding for all members. Individual countries should ensure that their specific commitments on WEE are aligned towards the Charter.
- a) **Support programmes that facilitate participation of women entrepreneurs in domestic and international value chains:** These could include training on standards and the assessment of mutual recognition agreements. Adoption of gender-blind standards (adopting male point of view as a default point of reference) can have detrimental effect on the health of women (e.g. car safety belts, earthmoving equipment or standard air-conditioning settings). Moreover, there are some known examples of national regulatory reforms that had negative, unpredicted spill-over effects on women. The examples include quality standards in the fruit production industry, where women have been excluded from higher value-added export possibilities. Cooperation with women organisations to develop bespoke training on standards in a crucial necessity and this should include digitalisation options. Tele-working is a possibility worth exploring.



The Better Regulation policy cycle aims to ensure that policies are well designed, effectively implemented and continuously improved following key phases, as depicted in the next figure.

*Figure 1: Policy implementation cycle.*

Our recommendations towards Better Regulation and RR from the findings to date are set out against this policy implementation cycle. We have included recommendations that fall within the remit of the OPSS Better Regulation pillar. They also align to relevant policies and strategic plans, including the ASEAN Work Plan on Good Regulatory Practice (2016-2025); ASEAN Good Regulatory Practices

(GRP) Core Principles; and the ASEAN Strategic Action Plan for Consumer Protection (ASAPCP) 2021 – 2025. Specific recommendations have also been produced for the different countries that are the focus of the study. These are provided in the relevant chapters.

Our recommendation are as follows:

1. **Pre-implementation/planning phase:** During this phase, it is important to identify the regulatory reforms where there is a positive outlook towards WEE and MSMEs. **This phase will include evidence gathering and conducting an impact analysis, or Regulatory Impact Assessment.** In this regard, our recommendations are for OPSS to work together with ASEAN towards:
  - **Improving regulatory design to take account of impacts on MSMEs:** Regulatory impact assessments should differentiate between large and small companies and assess whether the legislative burden on MSMEs is onerous, starting with business registrations. Most of the ASEAN countries are familiar with Regulatory Impact Assessment Practices (RIA) but the depth of the impact assessment distinguishing between different size of companies is unknown. Moreover, ex-ante regulatory assessments should take into account a wider set of impacts on MSMEs, with particular regard to barriers in specific sectors, such as the impacts of non-tariff barriers, licensing,

understanding of standards and/or labelling, but also considering long-term sectoral impacts. Baseline considerations for assessing impacts should include access to finance and digital skills.

- **Improving regulatory design to take account of gender impacts:** Conducting gender impact assessments for proposed policies helps identify potential disparities and ensures that policies do not inadvertently disadvantage women. These assessments should examine access, participation, and benefits. For example, is participation stymied through issues such as lacking access to appropriate networks or mentors, or more gender-specific factors such as time limitations on account of domestic and parental obligations? Participation blockages also need to be considered, including barriers to education and training. Thus, ex-ante regulatory assessments should continue to take account of the impacts on gender, but should be improved to include specific impacts on barriers to WEE, such as impacts on women's participation in the labour market after maternity leave, digital skill acquisition, constraints to own assets, etc. To that end, needs assessments can play a critical role.
- **Good stakeholder mapping and engagement:** this step will include identification of all stakeholders that will be directly or indirectly impacted by the policy. The review has identified some of these for the different AMS. It will be key to focus on those stakeholders that have the most influence and interest so they can be engaged early in the process. These can also provide key information to identify and overcome barriers as well as provide advice on the best methods for engaging with different players (e.g. mentoring, local workshops, surveys, online platforms, etc.)
- **Development of M&E Framework to set data gathering for different type of interventions:** It is important to monitor the inclusion and participation of women entrepreneurs in all government-supported MSME programmes and services but limited information on monitoring and evaluation has been found. The literature has also revealed a significant number of indices reporting on gender equality through indicators such as the gender pay gap, % of women in ownership and senior positions in firms, etc., that could be used to benchmark outcomes; but specific indicators for each intervention are recommended, including indicators that reflect the specific barriers (e.g. number of collaborations and participation in network, adoption of technology and digital tools by women entrepreneurs, number of women participating in business training and capacity-building programs and impacts, compliance rates with safety and quality standards among women-led MSMEs, etc.
- **Implementation/delivery phase:** Our findings show that there is a plethora of programmes to support MSMEs and WEE in ASEAN where additional support could be provided. Our recommendation is for the OPSS to engage further with government departments to provide:
- **On-going guidance and support, including mentoring:** Although there have been good efforts to account for local stakeholders, on-going guidance should be offered. One suggestion includes the use of external stakeholder groups, who possess local knowledge, which could facilitate bespoke mentoring. Development of external consultation methods with local expert groups, representing minorities prior to regulatory reform implementation, and mentoring capacities during implementation, could increase the effectiveness and sustainability of impacts from regulatory reforms. It is recommended that OPSS forms partnerships with a diverse range of local organisations (e.g. women's rights organisations and trade union representatives for women) to leverage additional expertise and resources to feed into the needs assessment.
- **Better dissemination and communication:** one of the main obstacles identified in the literature is the lack of networks for WEE. Our recommendation on this is to invest in networks that can facilitate transparent communication, providing regular updates and feedback mechanisms from key organisations but also any other stakeholder. It is important that the objectives of the intervention are clearly spelled out, which could include measurable outcomes, as well as the role

of the different implementation bodies and supporting institutions, including those responsible for compliance.

2. **Monitoring and evaluation:** this last step will include collecting data according to the M&E framework developed in the earlier phase but also include the reasons why some of the objectives of the intervention may not have been attainable and difficulties when gathering the data. This will allow revisions and future adjustments so the policy remains relevant. Developing a sound monitoring system for different type of interventions could also flag important issues that need addressing at an early stage of implementation.

This study has focused on three case studies but the table below summarises the findings and recommendations, including the transferability of findings across the region.

**Table 8: BR and Regulatory Reform – Summary of recommendations and their transferability**

Recommendations	Transferability across region	Important considerations and contextual factors
<b>Pre-implementation/planning phase:</b>		
Improving regulatory design to take account of impacts on MSMEs	Moderate to High	Many MSMEs operate outside the formal economy; lack of training and skills also remains a common barrier. However, different definitions of MSMEs apply across the region. <sup>144</sup> Barriers may differ according to region and sector.  RIAs will need to be underpinned by strong data capture mechanisms that take into account the specific barriers by sector/region to allow better monitoring.
Improving regulatory design to take account of gender impacts	High	Socio-economic and cultural contexts may vary. Entrepreneurial culture is slightly different across the different regions. Frameworks will need to encompass the broad range of women entrepreneurial activity, from that of sole-traders to high-tech start-ups. Digital skills and training are key considerations.  RIAs will need to be underpinned by strong data capture mechanisms that take into account the real impacts on women against the barriers (reduced double-burden, access to GVC, etc.).
Good stakeholder mapping and engagement	High	Regulatory provisions that impact on women and MSMEs will fall across a range of government agencies and institutions. Coordinating these initiatives will be necessary – to ensure that they each follow consistent principles which should be integrated; identifying the stakeholders that have the most influence is key (as they will provide information on specific barriers and solutions)

<sup>144</sup> See <https://asean.org/wp-content/uploads/2015/12/SAP-SMED-Final.pdf> (see page 21)

## 6. Conclusions and recommendations

Development of M&E Framework to set data gathering	Moderate to high	RIAs will need to be underpinned by strong data capture mechanisms; but currently there are different levels of disaggregated data being collected and limited information on M&E.
<b>Implementation and delivery:</b>		
On-going guidance and support, including mentoring	Moderate to high	Many of groups already exist offering mentoring, with the challenge being one of consolidation and coordination. Remote areas which lack ICT infrastructure may be harder to reach
Dissemination and communication	High	The degree to which there exists effective cooperation between central and local government will be determinative to maximize outreach. Dissemination in more remote areas where digital skills are lacking will also be more challenging.
<b>Monitoring and review:</b>		
Develop a sound monitoring system for different type of interventions	Moderate to High	Disaggregated data is not consistently available across all ASEAN countries. This should be a foundational step in order to further develop monitoring systems capable of assessing impacts on WEE and MSMEs.

## Annex 1: Answers to Research Questions

The following section includes the answers to the overarching research questions. The answers below are based on the data gathered both in the 1<sup>st</sup> and the 2<sup>nd</sup> phase of the study, expanding on the preliminary answers provided in the Interim Report that concluded the 1<sup>st</sup> phase of the study.

### A. Identify the key WEE and MSME issues in regulatory reform

**RQ 2:** *What are the **barriers and enablers** in regulatory policy/ reform that affect WEE and MSMEs' ability to operate (including ability to access economic services/opportunities)?*

Although there has been some progress in the last few years, there are still a range of barriers that hinder women's economic empowerment and women's entrepreneurship in Southeast Asian countries. Among these, social norms and customs which limit the role of women in society are notable. Addressing discriminatory legal provisions and challenging harmful norms is crucial for creating an enabling environment for women entrepreneurs and empowerment more generally.

Lacking knowledge and skills, as well as access to business networks are also factors which inhibit economic empowerment among women. Factors influencing women entrepreneurs' performance in MSMEs include access to finance, market opportunities, mentorship, and supportive policies. The literature review has however revealed a prevalence of different barriers and enablers for the different ASEAN countries considered.

Further, situational challenges can compound other barriers to leave women less able to make use of opportunities surrounding economic empowerment. Lacking mobility, through living in more remote locations, can mean that regulatory reforms and related programmes will be harder for women to engage with, such as educational provision and training.

There are some regulatory reforms that could affect the ability of women to participate in the labour market, such as gender responsive policies for MSMEs but more importantly, mainstreaming gender in the design and implementation of policies, laws, regulations and standards. By mainstreaming gender, we can create more inclusive and equitable business environments that foster women's entrepreneurship and economic empowerment. Additionally, regulatory reforms which address the gender-based impediments to women's economic empowerment and entrepreneurialism can have enabling impacts. To this end, reforms to support women with childcare obligations are valuable.

A further regulatory enabler identified throughout the research is the development and implementation of effective monitoring and evaluation frameworks. Where data is available on a disaggregated basis, highlighting different dimensions of women's economic engagement, governments will be better-placed to implement regulatory policies that can address challenges. There is divergence between the countries assessed, concerning the availability of disaggregated data by gender.

Prevailing socio-cultural norms are collectively held as important when considering the types of regulatory reforms to be designed and implemented. This is because interventions that target individual women, without appropriate scaffolding or support, can result in individual women bearing significant costs for contravening gender norms and acting outside of what is expected. In light of this, it is critical that regulatory reforms are developed drawing on relevant expertise and in consultation with women across multiple levels of the affected sectors.

**RQ 5:** *How are women and MSMEs involved in **value chains** of relevance to the project? For example, as designers, producers, suppliers, distributors; business leaders, entrepreneurs, board members; employees and informal workers; as customers and consumers; as community members.*

Overall, the proportion of women in managerial positions across the ASEAN countries is quite low, although there are some differences (with the Philippines faring better in comparison). Where women-owned businesses are forthcoming, these tend to be concentrated in low productivity sectors and in the informal economy, demonstrating the difficulties faced by women in the region.

Most women are involved in the informal economy and in low paid jobs with limited skills. These include manufacturing sectors that are also aimed at exports (e.g. garments industry). This poses a significant challenge as they fall out of regulatory protection. Evidence-based decision-making, targeting sectors where women are part of the informal economy to encourage entrepreneurship and movement into the formal economy is key to move women up the value chain.

**RQ 5(a):** What **constraints** do they face and how could these be addressed **to take advantage of new opportunities**?

One of the main constraints faced in access to credit. There is some evidence to suggest that government targets can incentivise the financial sector to support the financial inclusion of women, by working with banking associations to change perceptions and increase access to credit. The introduction of targets, in relation to the degree of loans provided by banks to women-led MSMEs is also one regulatory lever that can be leveraged to support greater provision of credit.

There is also evidence to suggest that digitised financial services can support women's access to finance, but caution is needed to ensure that this does not end in over-indebtedness.

Lacking exposure to business knowledge and opportunities among women overall is a key constraint but activity was highlighted across the research that can address this. The provision of educational and awareness-raising activity can provide encouragement and can also take the form of outreach activity, for women based in rural locations for whom exposure can be limited.

There are opportunities for women in e-commerce but when these business networks are run by men, they may face the same difficulties related to social norms in terms of acceptance and the difficulties to combine their activities with family care. A possibility is to develop specific women business led platforms.

**RQ 5(b):** What are stakeholder **expectations** about how women across the value chain could benefit from the RR work programme interventions?

Stakeholders expectations are related to the provision of training and access to digital skills. There is plethora of organisations that are trying to move forward the WEE agenda but it is important to take into account local knowledge and capitalise on the activities and the work currently on-going. This will minimise fragmentation.

## **B. Identify regulatory reform interventions that work to achieve better WEE and MSME outcomes, both directly and indirectly**

**RQ 4:** Are there any **unintended** WEE consequences from the way regulations are designed?

There is some evidence that male-driven standards can fail to empower women and/or have a negative impact on WEE. There appears to be some evidence that access to credit, micro-credit in particular, has led to over-indebtedness. Further evidence is however needed on this point.

Further evidence is also required to ascertain how gender-equality legislation and provisions are practically implemented, and whether adverse or unintended impacts can arise. As noted, despite laws stipulating equality of asset ownership within marriages, in practice, men can often be the legal owners of assets, which can bar women from gaining credit on account of a lack of collateral.

**RQ 3:** Is there scope to **improve impacts** on WEE and MSMEs with **regulatory reform**?



Yes; and it is important to capitalise on some of the opportunities such as e-commerce; but specific sector-based approaches may help towards this.

### C. Identify the metrics needed to measure and report on the impacts

**RQ 6:** *What are the **metrics and methods** currently used by governments and reformers to determine the impact of regulatory reform interventions on WEE and MSMEs? Is there a need to develop new metrics for this programme?*

There are indices on WEE but these are not linked to MSMEs and sectors (although extrapolation can be made based on the economic structure and women participation in the economy more generally). More importantly, little evaluation and monitoring data have been found on the impacts of specific regulatory reforms. A monitoring framework for the programme, linking the objectives of the regulatory reform with metrics will be beneficial. It is important that this is developed based on local knowledge to assess progress against the specific barriers.

There was a divide between the countries assessed between those that did produce gender-disaggregated statistical outputs on industries and sectors, and those that did not. The ability to assess economic and labour market outcomes across the genders would be an important foundational component to assessing the impact of regulatory reforms on WEE and MSMEs.

**RQ 1:** *How effective (in the view of the literature reviewer (phase 1), academic spoken with (phase 1 and if needed phase 2), each stakeholder interviewed (phase 2)) is the existing regulatory framework at integrating WEE/ MSME (depending on interviewee) considerations in its **standard certification criteria**?*

Based on the literature review, there are some signs that the regulatory framework can be conducive to change but there is limited data on progress to assess the effectiveness. Moreover, it is important to assess whether the regulatory framework takes account of the remaining barriers to WEE. Further consultation is needed to answer this research question more precisely.

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## Annex 3: Interview Guide

The interview guide was significantly amended for each of the completed interviews, in order for it to align with consultees' specific professional competences and local knowledge. Below we present the generic version of the questionnaire used for the interviews. This version of the questionnaire was used as a baseline questionnaire version for the interviews carried out in Malaysia.

### Interview guide – Malaysia

#### Study on the Regulatory Reform for Businesses and Consumers in ASEAN Countries - Understanding Potential Impacts on Gender equality and Micro, Small & Medium Enterprises

##### Preamble

The Centre for Strategy and Evaluation Studies (CSES) has been commissioned by the Office for Product Safety and Standards (OPSS), a body that sits within the Department for Business and Trade, to undertake a research project on regulatory reform across the ASEAN region (to support the Regulatory Reform pillar of the AEIP). The research has three overarching objectives – to:

1. Identify key WEE and MSME issues in regulatory reform across AMS.
2. Identify interventions that work to achieve better outcomes for Women's Economic Empowerment and MSMEs, both directly and indirectly.
3. Identify the metrics needed to measure and report on the impacts of regulatory reform interventions on WEE and MSMEs.

Malaysia, along with Indonesia and Vietnam, has been selected as one of the three countries for in-depth study through qualitative interviews.

The **purpose of the interview** is to explore previous regulatory policy initiatives adopted in Malaysia, to improve better outcomes for WEE and MSMEs – to gain insights into the practical determinants that affect policies and programmes, which are not always possible to ascertain across literature.

The interview will take about 45-60 minutes. We will be taking notes throughout the discussion. Nothing you state during this discussion will be attributed to you in the final report, without firstly requesting your permission. In the email invitation, we already set out our approach to data protection and privacy, which follows GDPR requirements.

Before we get underway with the interview questions, was there anything that you wanted to firstly ask us?

##### Introduction

1. Please provide an overview of your organisation and role.
2. Do you have any introductory remarks or questions related to this research project?

##### Objective: Identification of regulatory reforms for MSMEs, barriers and opportunities

3. What are the main challenges, barriers, or constraints for MSMEs? Which barriers are the most prominent?

Prompts (for interviewers)



*What are the key policy-making or institutional barriers within Malaysia, in relation to developing regulatory reforms which could positively impact MSMEs?*

4. Which have been the key regulatory reforms introduced in Malaysia over the past few years, which have sought to positively impact MSMEs (say 10 years)?
5. Which have been the key programmes in Malaysia over the past few years, which have sought to positively impact MSMEs (say, during the recent 10 years)? (e.g. MATRADE, Women Exporters Development Programme (WEDP))

**Prompts (for interviewers)**

*E.g. provide examples of regulatory reforms from the country report? Have the impact varied by sector? Has this, indirectly, affecting women entrepreneurship?*

6. Among these reforms and programmes, which proved to be the most successful? what are the key learning points?

**Prompts (for interviewers)**

*Could you tell us anything about the impacts on MSMEs? Have the impacts varied by sector? Has this, indirectly, affected women entrepreneurship (as women feature more prominently in specific sectors and micro-enterprises?)*

*Has the MATRADE's [Women Exporters Development Programme](#) (WEDP) impacted WEE and MSMEs?*

7. Were any unintended consequences for MSMEs experienced with regard to those reforms? If so, why did they occur?

**Prompts (for interviewers)**

*Were there impacts on specific groups and/or sectors that were not originally envisaged? Was the uptake larger than anticipated?*

**Objective: Identification of regulatory reforms for WEE, barriers and opportunities**

8. Women's Economic Empowerment has been a critical focus for many donors as well as for the Malaysian government. Here, we understand WEE as measures that seek to transform relationships that produce and sustain economic gender inequalities.

WEE interventions have been found to focus on ten thematic areas: financial services, business development services, skills training, social protection, market access, legal and regulatory frameworks, unions and fair employment, and asset provision (both financial and non-financial), social reproductive labour, and gender training.

9. Which barriers are the most prominent in preventing economic participation and growth for women in business (e.g. standards in specific industries, stereotypes, access to credit, lack of skills, digital inclusion, etc.)? Are there any specific opportunities for WEE?

**Prompts (for interviewers)**

*Our research indicates the following main barriers: Laws affecting women's safety, Gender discrimination at work, socio-cultural norms and lacking confidence, access to business-skills development services, or access to finance/networks/markets. Do you agree or disagree with this assessment in the context of Malaysia? Are there other barriers that should be highlighted? Are any of the barriers more of an obstacle than others to WEE? Any key examples that demonstrate how these barriers function?*

*How does collateral requirements and access to credit play out for women (e.g. assets within marriages typically being held by men)?*

10. Which have been the key regulatory reforms and support programmes introduced in Malaysia over the past ten years, which have sought to positively impact WEE? Were any unintended consequences for WEE experienced with regard to this reform? If so, why did they occur?

**Prompts (for interviewers)**

*In developing a strategic approach to regulatory reform, are specific imperatives relating to WEE brought into consideration? To what extent (if at all) is WEE approached as a cross-governmental issues?*

*Turning to such activities as business coaching, networking, or skills enhancement (as such a support was provided, by MATRADE's WEDP), what have been the gender- based impacts of this intervention?*

*Did considerations around improving WEE factor were integrated into the design and implementation of any the regulatory reform?*

**Concluding questions**

11. Do you collect information on impacts on WEE and/or MSMEs from any of the regulatory reforms or programmes mentioned above? Have you got any data that you could share with us?

**Prompts (for interviewers)**

*Have you been collecting data on the impacts of the discussed reforms?*

*If not, is there any specific reason? What obstacles have you encountered in collecting data on the impacts of the discussed reforms?*

*If yes, could you provide information on the type of indicators and metrics? Can you outline the logic behind your monitoring framework*

*Are there any best practices of RR based on the metrics collected?*

12. Are you aware of any further regulatory reforms or programmes planned in the horizon to encourage MSMEs and WEE? Do they cover any specific sectors? Are there any specific targets?

**Prompts (for interviewers)**

*Has the Covid-19 pandemic impacted upon regulatory initiatives to develop WEE and MSMEs?*

*E.g. Are there any initiatives fostering MSMEs and WEE through national quality infrastructure? If yes, please explain. What is your perspective of their effectiveness and why? What barriers do these initiatives face?*

*E.g. Is there a current national government plan or strategy with a focus on women's access to financial services?*

13. Can you see any challenges to deliver these? What type of tools would help to make a success of these?
14. Have you got any other concluding remarks you would like us to take into consideration? Any additional contacts that you think we should talk to?

## Annex 4: Workshop participation log and agenda

**The workshop was attended by 41 persons in total.** Most of the time, the attendance oscillated around 30. **The attendees represented 6 countries: Indonesia, Philippines, UK, Cambodia, Australia, and Malaysia.** Aside from the team delivering this study, the stakeholders represented in the workshop included: ASEAN member states' public institutions (agencies, ministries), multilateral organisations, NGOs active in the region, the academic stakeholders, business representative organisations, and the UK government. Thai, Lao, and Vietnamese stakeholders were invited to partake in the workshop, but none decided to take part.

The workshop participants have been provided with the information presented below, including the agenda and the summary of the study's country-relevant findings for each of the three countries in focus.

## Workshop Introduction

### Study on the Regulatory Reform for Businesses and Consumers in ASEAN Countries - Understanding Potential Impacts on Gender Equality and Micro, Small & Medium Enterprises

#### Introduction

In 2021, the UK became an ASEAN Dialogue Partner with the aim of building stronger diplomatic and economic ties in South-East Asia.

Two years later, in July 2023, the UK announced a new £25 million **ASEAN-UK Economic Integration Programme (AEIP)** to strengthen ASEAN economic integration and drive more equitable growth. The AEIP aims to support ASEAN Member States (AMS), focusing on implementing ASEAN initiatives that will reduce poverty in the region. Specifically, it aims to promote **women's economic empowerment (WEE) and support micro, small, and medium-sized enterprises (MSMEs)**.

The UK's Office for Product Safety and Standards (OPSS), a body that sits within the Department for Business and Trade, is leading the design, scoping and delivery of the **regulatory reform (RR) pillar** of the AEIP and has commissioned a study to assist in the development of interventions that will maximise positive outcomes for WEE and MSMEs.

**This workshop will allow us to explore how to achieve improved outcomes for WEE and MSMEs through regulatory reform and gain insights into the practical determinants that affect policies and programmes.**

#### Regulatory Reforms

Regulatory reforms are understood to be *any effort to change the rules or requirements aimed at individuals, organisations and industries to ensure it remains fit for purpose and aligns with regulatory strategy objectives*. Their aim is to contribute to improved regulatory and standards systems, a more stable environment for growth, investment and trade, and better protection for workers and consumers.

#### The study

The Centre for Strategic and Evaluation Studies (CSES) has been commissioned to undertake a **research project on regulatory reforms across the ASEAN region** (to support the Regulatory Reform pillar of the AEIP). The research is focused on **better regulation<sup>1</sup>** and has three overarching objectives:

Identify **key WEE and MSME issues** in regulatory reform across AMS.

**Identify interventions that work** to achieve better outcomes for WEE and MSMEs, both directly and indirectly.

**Identify the metrics** needed to measure and report on the impacts of regulatory reform interventions on WEE and MSMEs.

Following initial ASEAN-wide research, three countries were selected for in-depth research: **Indonesia, Malaysia, and Vietnam**; in these countries, the study team explored three regulatory reform interventions:

**Indonesia:** the **risk-based approach** introduced in the Job Creation Law 11/2020 was devised to simplify the process for the licencing of new businesses. The regulation introduced new criteria on how the risk of business activities are assessed. Those businesses deemed to present a lower risk are subsequently subject to simpler licensing requirements. There is a single online system for applications.

**Malaysia:** the *Malaysian External Trade Development Corporation (MATRADE) Women Exporters Development Programme (WEDP)* aims to encourage competitive and sustainable women-owned companies to expand their product and services exports.

**Vietnam: Resolution 68** was implemented in Vietnam in May 2020. This aimed to reduce the administrative burden for businesses at the national level. The key objective was to reduce and streamline at least 20% of requirements and to reduce 20% or more of compliance costs of all business-related regulations.

More information on the case studies can be found in the Annex to this note.

### This workshop

The CSES research team will present the findings of the study including the country case studies, and ask you to discuss with us if they could be applicable in your country. We will aim to validate our findings and explore whether these also apply across the region.

The workshop will take about 1.5 hours.

We will be recording the discussion and taking notes but nothing you state during this discussion will be attributed to you in the final report, without first requesting your permission. In the email invitation, we already set out our approach to data protection and privacy, which follows GDPR requirements.

You are welcome to contribute to the discussion in English, or send your comments/answers in chat in your native language – we will take those inputs into account when writing our analysis.

### WORKSHOP QUESTIONS

Below you can find the questions we would like to discuss during the workshop, which build on the country- and case-study specific findings we will first present to you:

<b>Workshop Question 1</b>	What are the Regulatory Reform trends towards MSMEs and WEE in your country? Are there any regulatory solutions that worked well in the past, and those that did not result in good outcomes? Why?
<b>Workshop Question 2</b>	What are the issues (barriers) that need to be taken into account to create a good business environment and better regulation in your country for MSMEs and WEE? Are there specific circumstances OPSS should be aware of when designing support initiatives for your country?
<b>Workshop Question 3</b>	Can you see any immediate opportunities for regulatory reform and/or better regulation in the context of MSMEs and WEE in your country? Do you have some thoughts on how to best support MSMEs and female entrepreneurs in your country?

### WORKSHOP AGENDA

Time BST/WIB	Topic
08:30 AM– 08:40 AM (BST)	2.30 PM– 2.40 PM (WIB)
	Welcomes and Opening remarks (CSES)

08:40 AM – 08:45 AM (BST)	2.40 PM – 2.45 PM (WIB)	Presentation by OPSS of the Context and Programme (OPSS)
08:45 AM – 08:50 AM (BST)	2.45 PM – 2.50 PM (WIB)	Presentation of the study approach (CSES)
08:50 AM – 9.15 AM (BST)	2.50 PM – 3.15 PM (WIB)	Findings from the case studies (CSES)
09:15 AM – 09:35 AM (BST)	3.15 PM – 3.35 PM (WIB)	Break-up sessions (all in groups)
09:35 AM – 09:50 AM (BST)	3.35 PM – 3.50 PM (WIB)	Presentation of break-up sessions discussion (ALL)
09:50 AM – 10.00 AM (BST)	3.50 PM – 4.00 PM (WIB)	Concluding remarks and next steps

## Annex 5: List of interview participants

There have been more than 35 interviewees consulted to date, including public officials, representatives of industry associations and business networks, female representative organisations, UK embassies in the three respective countries in focus, charities, owners of businesses, and multilateral organisations.

Country	Interviewees consulted
<b>Vietnam</b> <i>7 in total</i>	Hanoi Association for women entrepreneurs (HNEW) (multiple participants) A former government official experienced in delivery of WEE-focused projects An owner of a firm focused with Vietnamese women as a key target audience Plan International Vietnam A former representative of an international organisation supporting SMEs in Vietnam United Nation Women (Vietnam lead) Embassy of the UK in Vietnam
<b>Indonesia</b> <i>14 in total</i>	Indonesia Business Coalition for Women (ICBWE) Association for Women in Small Business Assistance (ASPPUK) University of Melbourne Asosiasi Pengusaha Indonesia (APINDO) (x2) Angel Investment Network Indonesia University of Sydney Ministry for Cooperatives and SMEs Monk's Hill Ventures Instellar (x2) Former Senior Advisor for Productivity and Economic Competitiveness, Ministry for Economic Affairs, Republic of Indonesia United Nation Women (Indonesia lead) (x2)
<b>Malaysia</b> <i>14 in total</i>	KUSKOP (Ministry of Entrepreneur Development and Cooperatives) (x2) Ministry of Women, Family and Community Development (KPWK) (x3) Malaysian Employers Federation (MEF) IDEAS policy institute (x3) SME Corporation Women of Will United Nation Women (Malaysia lead) Embassy of the UK in Malaysia MATRADE
<b>Regional</b> <i>2 in total</i>	United Nation Women (x2)
<b>TOTAL: 37 interviewees.</b>	



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