

FRAMEWORK FOR PROMOTING THE GROWTH OF DIGITAL STARTUPS IN ASEAN

1.0 BACKGROUND

- 1.1 Digital startups are important players in digital economy, as they attract talent and funding, catalyse local innovation, and create jobs. At the same time, they help transform economies by driving innovation and collaborating with traditional sectors to increase their productivity and competitiveness. A conducive startup ecosystem—made up of entrepreneurs, talents, enablers, and funders – is crucial for the emergence of viable startups, and its global connectedness essential for reaching scale. According to the Global Startup Ecosystem Report 2020, Asia accounts for 30% of the world’s top-ranking ecosystems. However, these are still concentrated in more developed countries on the continent.
- 1.2 ASEAN Member States (AMS) see varying degrees of digital readiness, with digital startups concentrated only within select AMS. This is indicative of the room opportunity for growth among the ecosystems within ASEAN, to synchronise economies of scale regionally, allowing the different AMS to develop simultaneously and leverage on one another’s ongoing progress, and eventually and compete with best-in-class startup ecosystems globally.

2.0 OBJECTIVES

- 2.1 The objectives of the Framework for promoting the growth of digital startups in ASEAN are as follows:
 - i. to develop an enabling ecosystems framework for digital startups in ASEAN; and
 - ii. post-framework adoption, to allow relevant ministries in the AMS to create best practice-based policies that will nurture / foster startup ecosystems, particularly in promoting the growth of digital startups in their respective countries.

3.0 OPERATIONAL GUIDELINES

Terminology

- 3.1 ADGMIN refers to the ASEAN Digital Ministers’ Ministerial Meeting, responsible for guiding ASEAN towards a digitally-enabled economy and society in support of digital trade, economic integration and cooperation towards the ASEAN Economic Community (AEC).
- 3.2 AMS refers to the ASEAN Member States which comprise from the following countries: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines Singapore, Thailand and Viet Nam.

- 3.3 VC refers to Venture Capital, which is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential.

Principles of Implementation

- 3.4 The Framework for Promoting the Growth of Digital Startups in ASEAN serves only as a voluntary and non-binding reference. This framework is not intended to constitute or create obligations under domestic or international law and will not give rise to any legal process or create any legally binding or enforceable obligations.
- 3.5 The ASEAN Digital Senior Officials' Meeting (ADGSOM) will serve as the coordinating sectoral body for this Framework. The ADGSOM, assisted and supported by the other relevant ASEAN sectoral bodies, shall ensure effective implementation of all related digital startups initiatives and periodically coordinate its efforts and report progress to the ASEAN Digital Ministers' Meeting.

4.0 FRAMEWORK DEVELOPMENT APPROACH

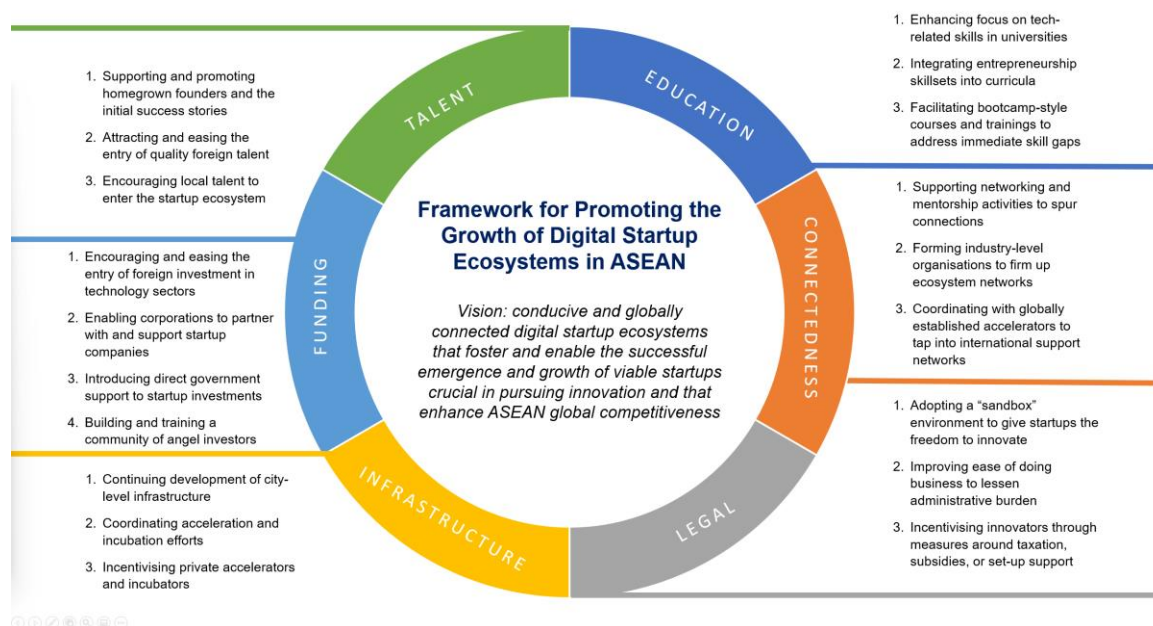
- 4.1 The approach to develop the Framework was structured into two phases:
- i. Phase 1: Using global benchmarks as reference, the team identified key pillars to result in a draft policy framework for ASEAN; and
 - ii. Phase 2: AMS were then evaluated against the draft framework to result in actionable recommendations to close the gaps.

5.0 KEY PILLARS OF THE FRAMEWORK

- 5.1 The policy framework will support the increased capacity for businesses and people to participate in the digital economy by taking beacon digital startup ecosystems as benchmarks to identify and synthesised best practices and key pillars which will underpin the conceptual foundation for the design of national startup ecosystems in ASEAN.
- 5.2 The policy framework identified six key pillars, namely: Talent, Education, Funding, Connectedness, Legal Environment, and Infrastructure, providing a thorough examination of each pillar across the three ecosystems, validated by the perspective of those with first-hand knowledge.
- 5.3 Based on the report of Developing a Framework for Promoting the Growth of Digital Startups in ASEAN (2021), the following focus areas and best practices envision a conducive and globally connected digital start-up ecosystem that

fosters and enables the successful emergence and growth of viable start-up crucial in pursuing innovation and that enhance ASEAN global competitiveness:

Figure 1: Framework for Promoting the Growth of Digital Startup Ecosystems in ASEAN



i. Talent

Talent is undeniably critical to the success of a startup ecosystem, as it is through the efforts of individuals that startups, and eventually the ecosystem is built. All the selected ecosystems benefit from homegrown talent developed by local universities. In tandem with this is the importance of foreign talent, allowing the ecosystem's startups to benefit from lower costs or fill in skill gaps that would be difficult to do with local resources. It is imperative that these talents are interested to enter the startup ecosystem and therefore, it is of utmost importance to first have initial success stories that act as aspirational paragons that inspire others to join startups or even build their own companies.

ii. Education

Coupled with talent, education plays a pivotal role in any startup ecosystem. As observed from globally leading startup ecosystems, focus on developing tech and entrepreneurial skillsets is equally critical towards the formation of high-performing talent resources. As such implementations are likely to require a few years at the least to realise results, more immediate gains can be realised from the implementation of bootcamp style courses or trainings that are more likely to be able to address current skill gaps with a shorter timeline. These bootcamp style courses pave the way for an environment of lifelong learning, going beyond education in the university system and continuous development of skills as is particularly relevant in the technology sector.

iii. **Funding**

Funding is an essential component of any startup ecosystem, as startups do require financial support to operate. Attracting foreign capital into the country is key and can be encouraged by adopting accommodating foreign investment policies, and by running a concerted marketing effort to showcase opportunities within the startup ecosystem to other countries. Aside from that, corporations also have access to sizeable capital and could stand to benefit from the innovations offered by startups, mutually beneficial relationships could easily be developed.

Direct support from the government through subsidisation of funding has seen great success in driving the volume of startups, encouraging investments from foreign investors and corporations. Such direct subsidisation is also instrumental in increasing investments from angel investors, who play a vital role in newer startup ecosystems, where access to capital from larger institutions is harder to acquire. The establishment of a formal network of angel investors would improve startups' access to funding, particularly for nascent ecosystems.

iv. **Connectedness**

Connectedness is a key enabler to the ecosystem, allowing stakeholders to benefit from one another's learnings and resources. While local connectedness may emerge naturally among startups and other stakeholders, concerted efforts from institutions are greatly effective in building these bridges more quickly and should be a priority. International connectedness also contributes to the success of an ecosystem, with foreign companies able to share insight and expertise that may not be readily available yet within the ecosystem. For this, coordinating with well-established international incubators is largely beneficial for building the global network of an ecosystem's stakeholders through various events and activities including business matching.

v. **Legal Environment**

The legal environment's role varies from ecosystem to ecosystem in which the government may play a direct role through supplementary funding, or an enabling role to support the ecosystem through introducing policies to improve ease of doing business and drive growth of startups. The latter may encompass various aspects such as attracting foreign talent, implementing programs or cross-border regulations to boost connectedness, enacting a marketing plan to promote the startup ecosystem to students and investors alike, facilitating collaborations between regulators and introducing incentives to facilitate innovation. The provision of a "sandbox" environment is noted to be effective to espouse innovation and allows startups to better test their ideas without being hampered by typical bureaucracy. This support can be extended to cover other integral legal aspects such as

compliance and intellectual property, creating a more conducive environment for startups to grow.

vi. **Infrastructure**

Infrastructure acts as a key enabler for startup ecosystems, allowing the companies involved to operate efficiently. Common among leading ecosystems are well-developed city infrastructures with ready access to transportation, office space, and stable internet connections. The presence of incubators and accelerators give startups easy access to the necessary resources and is spurred by the involvement of well-established international incubators and accelerators in the ecosystem. The government can play a direct role in coordinating incubation and acceleration efforts or an enabling role by offering incentives for private incubators or accelerators.

6.0 FRAMEWORK REVIEW

- 6.1 This Framework may be reviewed periodically and amended at any time to incorporate new developments or changes, by mutual agreement among all AMS.