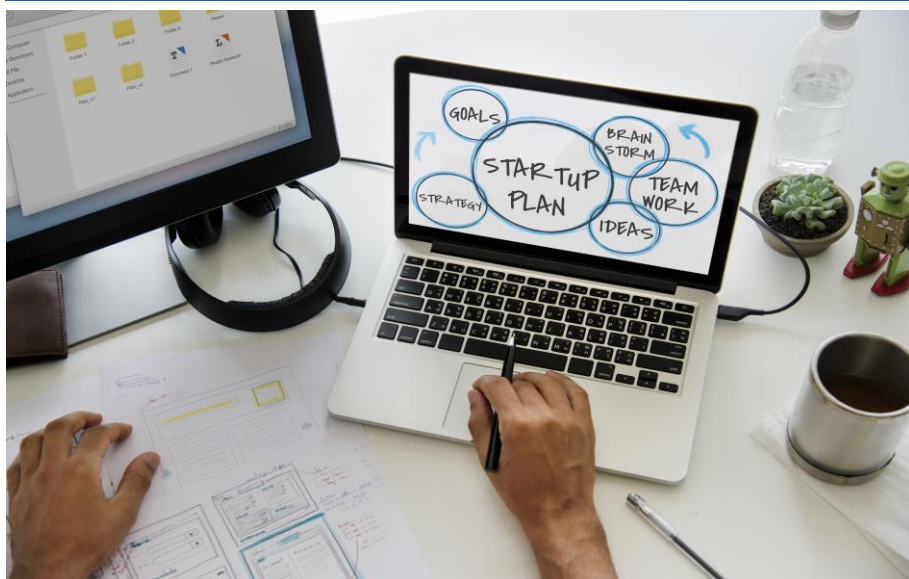




## In Focus: Promoting the Growth of Digital Start-Ups in ASEAN



ASEAN remains to be a compelling destination for digital start-ups and investors. The region is home to 52 Unicorns - start-ups with a valuation over USD 1 billion - in 2022. Tech in Asia reported that ASEAN welcomed over USD 37 billion worth of capitals to Southeast Asian start-ups in 2021. The report by Google, Temasek, and Bain & Company mentioned that ASEAN has 460 million internet users, 100 million of whom joined in the last three years alone. The rapid digital adoption is coupled with rising affluent consumers and growing talent in the region. These strong macro-economic fundamentals drive a bright outlook in the long-term for digital start-ups in ASEAN. The digital decade has begun in ASEAN, and the region's digital economy is on track to reach USD 600 Billion to 1 Trillion by 2030.

Recognising the strong potential and the important role of digital start-ups in catalysing local innovation, creating jobs, and attracting both talent and funding to the ASEAN digital economy, ASEAN Digital Ministers (ADGMIN) endorsed the Framework for Promoting the Growth of Digital Start-ups in ASEAN in February 2023. The framework is intended to develop an enabling ecosystem framework for digital start-ups in ASEAN and to allow relevant ministries in the ASEAN Member States (AMS) to create best practice-based policies that will nurture or foster start-up ecosystems by taking into consideration the varying degrees of digital readiness in different AMS.

### About the Bulletin

ASEAN for Business is a bulletin published by the Enterprise and Stakeholders Engagement Division of the ASEAN Secretariat.

This monthly bulletin provides quick updates on specific topics related to the ASEAN Economic Community (AEC) for businesses operating in the region.

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## **Framework for Promoting the Growth of Digital Start-ups in ASEAN**

The Framework for Promoting the Growth of Digital Start-ups in ASEAN (hereafter: framework) is part of ASEAN's Priority Economic Deliverables under Cambodia's chairmanship in 2022. The framework is developed through a series of stakeholder consultations including with ASEAN Digital Senior Officials Meeting (ADGSOM) and with the private sector during the 8<sup>th</sup> ASEAN Economic Community Dialogue. The framework serves as a voluntary and non-binding reference, and ADGSOM shall ensure effective implementation of all related digital start-ups initiatives under this framework, coordinate with other bodies, and report the progress of implementation to ASEAN Digital Ministers Meeting.

The framework refers to beacon digital start-up ecosystems as benchmark to identify and synthesised best practices and key pillars of start-up ecosystem in ASEAN. There are six following key pillars identified in the framework:

- i. **Talent**, or the availability of workforce that have relevant skillsets for start-ups, is critical for the success of a start-up ecosystem. The framework emphasises the importance of building attractive start-up environment that would attract homegrown talent developed by local universities and supplementing it with foreign talent to fill any gaps.
- ii. **Education** plays a pivotal role as developing technology and entrepreneurial skillsets is equally critical toward the formation of high-performing talent resources. The framework recommends that bootcamp style courses or trainings are critical to address the skill gaps in the short term. At the same time, universities are also recommended to adjust their curricula to accommodate tech and entrepreneur skills.
- iii. **Attracting Funding** both domestic and foreign capital, is key and it can be encouraged through accommodating foreign investment policies and running a concerted marketing effort to showcase opportunities within start-ups communities. AMS is also encouraged to promote Corporate Venture Capital (CVC) to provide more funding options for start-ups.

- iv. **Connectedness** as the key enabler to the ecosystem will connect stakeholders and enable sharing of knowledge and best practices across stakeholders and across different ecosystems. AMS is recommended to take concerted efforts to build bridges and to connect their local start-ups with international start-ups and capital venture communities.
- v. **Legal Environment** including government's direct role through supplementary funding or introducing policies to improve ease of doing business and drive growth of start-ups is imperative. The provision of a "regulatory sandbox" environment is identified as effective to encourage innovation and minimize barriers that might be imposed by bureaucracy process.
- vi. **Infrastructure** that is well-developed with ready access to transportation, office space, and stable internet connection will enable start-ups to operate efficiently. The presence of incubators and accelerators give start-ups easy access to the necessary resources and infrastructure. AMS can play a role by coordinating and incentivising accelerators and incubators to support start-ups

### **Benefit of the Framework for Business**

While the framework is non-binding, it provides a framework that will enable AMS to enhance its policy and business environment for digital start-ups in each AMS. Once implementation instruments are in place, the framework enforcement in AMS will:

- Enlarge talent supply and reduce skill gaps with adjusted curricula and incentive to attract foreign talent.
- Facilitate innovation through the increased connectiveness between local and international startup communities as well as the implementation of regulatory sandbox mechanism.
- Increase investors' confidence in all ASEAN Member States as startups environment becomes increasingly synchronized.

### **More Information**

The full document of the [framework](#) and the [policy recommendations](#) are available online.

## Opinion: Shaping ASEAN Digital Startups' Growth for Good

By **Ming Tan**, *Founding Executive Director, Tech For Good Institute*

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Over 30 years ago, the vision of ASEAN as a single market took shape. ASEAN leaders understood that free flow of goods, services, investments, capital, and talent would not only strengthen competitiveness and economic development for the region as it integrated into the global economy, but also progress development goals.

Today, ASEAN is one of the fastest growing digital economies in the world. With approximately 125,000 new users coming into the internet every day, the ASEAN digital economy is ripe with commercial opportunity. However, ASEAN is not just a market of consumers. We want to nurture a thriving ecosystem of producers, creators, traders, clients, customers, and consumers.

And as with the decades-old vision of economic integration for ASEAN, the digital economy can do more than drive economic growth. Digital technologies and the companies developing and deploying them have the potential to advance sustainable, equitable and inclusive growth for Southeast Asia.

### **Startups as catalysts for fit-for-purpose solutions**

Last October, the Tech for Good Institute co-organised the 8th ASEAN Economic Community Dialogue with the ASEAN Secretariat and the ASEAN Business Advisory Council on “Promoting the Growth of the Digital Startup Ecosystem in ASEAN”. At the event, Pak Bernardino Vega, Alternate Chair of ASEAN Business Advisory Council Indonesia highlighted the particular challenge of growing the digital economy in ASEAN: bringing fit-for-purpose solutions to meet the immediate needs of developing countries, where over 90% of companies are micro, small and medium sized enterprises. The future of our economies lies in our ability to encourage new business models while supporting the digital pivot for traditional businesses.

This challenge is also an opportunity. Technology may enable and scale solution, but innovation

requires first identifying the right problems to solve, and then fostering adoption of solutions. The latter requires trust to shift mindsets. Digital startups embedded within the markets they serve are best placed to do all of the above. They identify needs and gaps in the market, and develop context-sensitive products and services. Platform companies, in particular, recognise that supporting MSMEs benefits all. Grab, for example, has run Small Business Booster Programs across Southeast Asia to help MSMEs adopt digital solutions and expand their online visibility.

### **Importance of ecosystem support**

Digital startups may take root within conducive local contexts, but also need regional and global connectedness to thrive. The “Framework for Promoting the Growth of Digital Startups in ASEAN,” recently endorsed by the ASEAN Digital Ministers, will go a long way in nurturing an enabling, sustainable, and inclusive startup ecosystem across ASEAN Member States. As digital economy companies often rely on scale for their business models to be viable, the six key pillars identified in the framework – talent, education, funding, connectedness, legal environment, and infrastructure – are all vital enablers for a thriving digital startup ecosystem. The Framework also complements the landmark Regional Comprehensive Economic Partnership (RCEP) Agreement which came into force in 2022, which seeks to further investments in the vibrant and growing startup scene in ASEAN by providing an expanded regional market, bolstering protection of intellectual property and enhancing rules in services and e-commerce.

### **Innovation yields more innovation**

We cannot underestimate the impact of having local startups dedicated to applying digital solutions to problems at home, for markets that reflect our communities. The Tech for Good Institute’s Platform Economy report found that the alumni of first generation tech platforms such as Grab, SEA, and Ovo, have since gone on to create and lead over 1,000 startups in the region. These second-generation startups will focus on new problems, bring fresh ideas, generate new jobs and invest in human capital to develop new offerings and services that will compete

with the first-generation digital companies. As more startups scale, the ecosystem matures. This paves the way for subsequent generations of startups in Southeast Asia.

### ***Advancing Tech for Good, for Southeast Asia***

At the Tech For Good Institute, we believe that digital startups have a transformative role to play. A recent poll we conducted showed that over 70% of respondents believed that technology should be used to drive transformative impact at scale, while solving complex societal problems. Digital technology has demonstrated its ability to transform whole sectors at speed and scale. Its general enabling technologies and new business models play a key role in facilitating all other transitions we need to realise within this decade. For example, Grab, once considered as a digital startup, now provides digital financial services, helping those with no collateral develop credit risk models to allow them to secure financing from banks and other lenders.

Other digital startups are underpinning completely new industries that are addressing global challenges

such as climate change. Carbon markets, for example, rely on trusted and verifiable data. Companies such as Jejak.In, based in Indonesia, leverages artificial intelligence and light detection and ranging (LiDAR) sensors to monitor over 10 million trees and provide real time data for the management of carbon credits.

In his opening remarks at the 8th ASEAN Economic Community Dialogue, His Excellency Satvinder Singh, Deputy Secretary General of the ASEAN Economic Community challenged digital startups “to solve social problems, meet the needs of people, and work toward developing sustainable solutions for the future.” The “Framework for Promoting the Growth of Digital Startups in ASEAN” will not only boost ASEAN’s global competitiveness, but will also foster an innovation ecosystem to advance “tech for good”.

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**Ming Tan,**

*Founding Executive Director, Tech For Good Institute*

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## Highlights

# 29<sup>th</sup> ASEAN Economic Ministers Retreat

The ASEAN Economic Ministers (AEM) met in Magelang, Indonesia on 22 March 2023 for the 29<sup>th</sup> AEM Retreat. The Meeting noted that despite regional and global challenges, the region continued to keep its momentum towards achieving robust post-pandemic economic recovery.

## 5,5%

of estimated economic growth in 2021, and 4,7% estimated in 2022

## 3,4

Trillion (USD) of merchandise trade reached in 2021, an increase of around 25% from 2020

## 174

Billion (USD) of FDI inflow to ASEAN IN 2021, an increase of around 42% from 2020

## Priority Economic Deliverables

under the purview of ASEAN Economic Ministers (AEM)

The seven Priority Economic Deliverables (PED) of Indonesia's Chairmanship of ASEAN, under the purview of AEM, in 2023 are:

01

ASEAN Services Facilitation Framework

02

Signing of the 2nd Protocol to Amend the AANZFTA

03

Establishment of the RCEP Support Unit in the ASEAN Secretariat

04

Industrial Project-Based Initiative

05

Full Implementation of Electronic Certificate of Origin through the ASEAN Single Window

06

An ASEAN Leaders' Statement on Developing the ASEAN Digital Economic Framework Agreement (DEFA)

07

Roadmap of ASEAN Harmonised Standards to Support SDGs Implementation

## A message from the Secretary-General of ASEAN

The Secretary-General of ASEAN, H.E. Dr. Kao Kim Hourn, attended the meeting and highlighted the following message:

*"ASEAN will need to redouble its efforts to deepen its economic integration by, amongst others, pursuing initiatives that are forward-looking and relevant to the 21<sup>st</sup> century global economic environment, such as the upgrade of the ASEAN Trade in Goods Agreement, the ASEAN Digital Economy Framework, and the development of an ASEAN Strategy for Carbon Neutrality."*



H.E. Dr. Kao Kim Hourn  
Secretary-General of ASEAN

## Upcoming Events

14<sup>th</sup> Meeting of the ASEAN Nuclear Energy Cooperation Sub-Sector Network (NEC-SSN) and associated meetings/events

Philippines  
**11-14**  
April 2023

11<sup>th</sup> ASEAN Network of Intellectual Property Enforcement Experts (ANIEE) Meeting

Manila, Phillipines  
**28**  
April 2023

4<sup>th</sup> Economic Officials Meeting for 2023 (4/23 EO Meeting)

Jakarta, Indonesia  
**28**  
April 2023

Full ASEAN Notional Calendar is available at: <https://asean2023.id/en/page/asean-2023/notional-calendar>