



ASEAN-AUSTRALIA DEVELOPMENT COOPERATION PROGRAM (AADCP) PHASE II

TERMS OF REFERENCE FOR

Developing a Framework for Promoting the Growth of Digital Startups in ASEAN

The ASEAN Secretariat and the Australian Government, through AADCP II, invite applications from consultants for the above-referenced project.

I. Background

Digital startups 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 productivity and competitiveness of their legacy systems.

A conducive 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. Governments that realize the value of fostering entrepreneurship have been active enablers through policies and incentives as well as early-stage funders.

ASEAN digital integration requires a conducive business environment in which budding digital enterprises can grow into a dynamic, innovative business ecosystem. In a fast-transforming digital world, competitiveness is no longer just about attracting talent and investment, it is also about driving, fostering, and supporting innovation. From startups to government bodies, organisations must be able to think critically and solve problems creatively. Together, these abilities contribute to a country's overall resilience, adaptability, and competitiveness. This includes assisting budding digital enterprises as they navigate the business ecosystem and contribute to the digital economy—from the ease of starting a business to complying with digital regulations.

The ASEAN Digital Integration Index (ADII) adopted in 2020 evaluates how well the environment in ASEAN promotes innovation and entrepreneurship: the availability of venture capital, the proportion of gross domestic product (GDP) used on research and development (R&D), how easy or challenging it is for innovative companies to grow, how easy it is to start a business, and how intellectual property creation is encouraged and protected (Pillar 5). According to the ADII Report, ASEAN scores very inadequately in terms of the proportion of GDP spent on R&D. This illustrates that there are still very few resources prioritized for investing into domestic innovation. At the same time, intellectual property protection frameworks are also insufficient which restricts the incentives of innovators and investors to create new products and services in ASEAN. On a positive note, it remains relatively easy to start a business in ASEAN, with high growth potential for innovative companies and where venture capital funding is fairly available. The challenge therein for ASEAN Member States (AMS) is to be able to bridge this gap and channel more resources to promote innovation and entrepreneurship by dedicating more funding to R&D and to enhance intellectual property frameworks so businesses and innovators are better incentivized to take advantage of the conducive business environment.

On the other hand, a study by Google, Temasek and Bain Co., as published in the 2019 E-Conomy South East Asia (SEA) Report, more than USD 37 billion of capital had flowed into the Internet economy of SEA over the last four years (2016-2019). While the majority had gone to e-commerce and ride hailing unicorns, investments in nearly 3,000 startups in the region remained sizable, according to the report. A growing number of aspiring unicorns had emerged and was on the lookout for late-stage funding to scale further. Regional and global investors, particularly from China, are geared up for this opportunity, ready to back companies for longer and with more resources. The study identified that digital talent remained a pressing constraint despite many efforts by the digital industry players to fill the gap.

Under the ASEAN Digital Master Plan 2025 which has recently been adopted by the 1st ASEAN Digital Ministers Meeting (ADGMIN) in January 2021, the development of a framework that encourage the development and growth of digital start-ups in ASEAN was also identified as a high priority agenda for ASEAN to support the increased capacity for business and people to participate in the digital economy.

The project will identify and verify the key factors that affect the growth of digital startups in ASEAN and, based on the findings, develop a policy framework to promote digital startups. The framework will focus on government measures needed to create and preserve startup ecosystems which include financial assistance, incentives for research and development, talent and skills development, support programs (e.g., incubators, accelerators, scale-up initiatives, and mentorships), and creating a conducive regulatory environment for the growth of startups. The policy framework lays the conceptual foundation for the design of national startup ecosystems in ASEAN.

Further to promoting an enabling startup ecosystem, it will delve into the challenges faced by entrepreneurs that are specific to digital startups, whose products or services tend to be disruptive to the traditional industries and increasingly challenged by emerging government restrictions due to their negative impacts on the market and society such as uneven playing field between online and offline companies, monopoly by big technology companies, data privacy issues, etc. The digital startups in the 3IR (platform economy) and 4IR (automation) era also typically require different types of R&D and, consequently, different talent-mix as compared to non-digital startups.

II. Needs and Objectives

The goal of this project is to establish an enabling ecosystems for digital startup. It is envisaged that once the framework is established and adopted, relevant ministries in the AMS will make best practice-based policies that will nurture/foster startup ecosystems, particularly in promoting growth of digital startups in their respective countries.

III. Outputs

The output is a draft Policy Framework for Promoting Digital Startup Ecosystem in ASEAN, which will be developed based on best practices in ASEAN and beyond, potentially through knowledge sharing among ASEAN and its Dialogue Partners. The Policy Framework will include recommendations to address gaps in each AMS' policy framework.

IV. Tasks/Activities

The following activities will need to be undertaken to achieve the outputs presented above. The bidder should provide details on its approach to each activity in its bid and is free to recommend additional activities.

DELIVERABLES	ACTIVITIES/TASKS	PERSON WORKING WEEKS	DURATION IN CALENDAR WEEKS	COMPLETION DATE	RESPONSIBLE ENTITY
Inception report	Finalise research approach and methodology	2	2	2 weeks after signing of the Special Services Agreement (SSA)	Consultant
	Develop a work plan, jointly with project stakeholders.				Consultants, AMS' experts
	Prepare, present and finalise the inception report				Consultant
Approval of Project Inception Report by the ASEAN Secretariat (2 weeks)					
Report on Best Practice Digital Startup Ecosystems	Secondary data research on successful digital startup ecosystems in the world (may include ASEAN countries).	14	7	Week 11	Consultant
	Identify the supporting factors that contribute to the success of successful digital startup ecosystems				Consultant
	Develop initial draft policy framework				Consultant
	Prepare, present and finalise the report on best-practice digital startup ecosystems				Consultants, ADGSOM
Approval of Report on Best Practice Digital Startup Ecosystems by the ASEAN Secretariat (2 weeks)					
Report on the Gaps in AMS' Digital Startup Ecosystems and Recommendations to Close the Gaps	Collect AMS' relevant profile information (laws, regulations, ICT-related statistics, etc.) and information on any existing startup ecosystems	17	8	Week 21	Consultant
	Conduct survey through questionnaire and interviews with relevant national authorities.				Consultant

DELIVERABLES	ACTIVITIES/TASKS	PERSON WORKING WEEKS	DURATION IN CALENDAR WEEKS	COMPLETION DATE	RESPONSIBLE ENTITY
Report on the Gaps in AMS' Digital Startup Ecosystems and Recommendations to Close the Gaps (cont'd)	Analyse gaps against the draft policy framework and develop recommendations.				Consultants, ADGSOM
	Prepare, present and finalise the report on gaps and recommendations.				Consultant
Approval of Report on the Gaps in AMS' Digital Startup Ecosystems and Recommendations to Close the Gaps by the ASEAN Secretariat (2 weeks)					
Final Report	Prepare, present and finalise the combined final report.	2	4	Week 28	Consultant
Approval of Final Report by the ASEAN Secretariat (2 weeks)					
** The number of person working weeks is intended to indicate the amount of relative effort required to deliver the corresponding outputs. The calculation is based on assumption of 5 person days per week. Actual time will be agreed in negotiation with the successful bidder.					

V. Reporting

The consultant is expected to produce reports in accordance with Section III and IV above. The timing of delivery is indicative and can be adjusted when the consultant's work plan is developed, subject to mutual agreement.

All reports will be submitted based on AADCP II Guidelines for Contractors in draft format to ICT & Tourism Division of the ASEAN Secretariat (with a copy to AADCP II) and, following the ASEAN Secretariat's approval, in final form. All outputs and reports must be suitable for publication, although the decision on publication lies with the ASEAN.

The contractor will also provide regular (weekly, bi-monthly or as agreed with the ASEAN Secretariat) summation of activities undertaken and issues that have arisen. These will be submitted to ICT & Tourism Division and AADCP II via email.

Financial reports will be submitted at invoicing in line with a payment schedule to be specified in the Special Services Agreement (SSA).

VI. Project Management

The project will be funded by the ASEAN-Australia Development Cooperation Program II and managed by ICT & Tourism Division of the ASEAN Secretariat. The consultant should be responsible for organising and conducting the scheduled activities in collaboration with the host countries and the ASEAN Secretariat.

VII. Scope of Services

The consultancy will be undertaken over a **continuous effective period of six (6) calendar months** with approximately **175 working days or 35 working weeks** of professional services. Work will commence immediately after contract signing.

VIII. Qualifications

In its proposal the bidder should demonstrate:

- In-depth knowledge and expertise on issues related to e-commerce, digital economy, MSMEs, enterprise and startups or with development projects, with a strong emphasis on entrepreneurship and MSME support;
- Experience in designing and implementing innovative entrepreneurship content.
- Knowledge of local and international startup ecosystem
- Proven ability in developing high-level policy documents and recommendations
- Proven track record in data collection and analysis on regional and global survey/research;
- Sound knowledge of ASEAN, its structure, and processes;
- Understanding of gender and social inclusion mainstreaming into economic and socio-cultural development strategies and programmes;
- Experience working with the ASEAN Secretariat and AADCP II on projects with similar scope and characteristics will be considered added value;

- Proven skills in report writing and conversing in English; and
- A thorough understanding of ASEAN and AADCP II procedures will be considered added value.

IX. Bidding

Interested consulting firms are invited to submit a proposal in response to these Terms of Reference. This proposal should be in two separate parts: **Technical** and **Financial components**.

The Technical component should present the following information:

- A brief discussion indicating the bidder's understanding of the needs of the project;
- A brief analysis of key issues;
- A methodological discussion of how the bidder proposes to address those needs including assessment of key issues, analytical strategies that will underlie the project, specific techniques to be utilised, and practical discussion of possible limitations in carrying out the project;
- A detailed work plan that specifies activities to be undertaken, expected outputs and deliverables, resources to be utilised and timing;
- Staffing and management plan;
- A discussion on how measures to ensure the future sustainability of the outcomes of the project will be addressed;
- CVs of all proposed experts;
- Brief discussion of firm's past experience in undertaking similar work and brief summaries of all projects undertaken.

The Financial component should specify:

- 1) Professional fees of expert(s);
- 2) Management and/or operational fees (if any), which include all costs incurred by the person/entity/company for internal coordination, communication, travels and any other associated project management cost;
- 3) Applicable taxes such as VAT, GST, PPN. See Section IX point 3 for an additional note on tax liability.

Activity costs for experts and participants such as reimbursable expenses for airfare, other travel costs and daily subsistence allowance for workshops, meetings, and all other agreed activities do not need to be included in the Financial Component. These items will be discussed with the preferred contractor during the finalisation of the scope of services. Costs will be based on prevailing ASEAN Secretariat rates.

X. Submission of Application

Applicants should send their application with a cover letter, materials specified in Section IX above and other supporting documents with "***Developing a Framework for Promoting the Growth of Digital Startups in ASEAN***" as the subject via email to tender@aadcp2.org, no later than **18 May 2021 at 05:00pm Jakarta time**.

For Frequently Asked Questions (FAQ), please visit <http://aadcp2.org/aadcp-ii-tender-frequently-asked-questions/>

Any queries on the TOR should be sent to contact@aadcp2.org with the subject line: “**Query Developing a Framework for Promoting the Growth of Digital Startups in ASEAN**”

XI. Additional Notes on Terms and Conditions of the Project

1. Any future studies/reports/analysis in any form of intellectual property rights (including but not limited to patents, copyright and any related rights) submitted by the Contractor to ASEAN arising out of or in connection to the services performed by the Consultant to ASEAN shall belong to the Secretariat under the name of **ASEAN** only;
2. Successful bidder shall agree to be bound and sign the Special Services Agreement (SSA) with all requirements under the terms and conditions provided therein, including but not limited to the AADCP II Guidelines for the Contractors attached to the SSA.
3. As an intergovernmental organisation, ASEAN shall not be responsible for any tax(es), levy, tax claim or any tax liability which may be imposed by any law in relation to any amount payable by the ASEAN Secretariat.