

A background image showing a microscopic view of plant cells, likely from a leaf, with a blue color scheme. The cells are arranged in a grid-like pattern, with some cells being more prominent than others. The overall tone is light blue and airy.

ADB

ICTs and role of SMEs

ITU Regional Development Forum (Asia-Pacific)

ICTs and role of SMEs / Session 4

Arndt Husar, 4 November 2020

Digital Transformation of SMEs in Asia

Accelerated digital transformation

- 69% of SMEs are accelerating their digitalization in response to COVID-19 (Asia: HICs & MICs);
- Fast-paced digitalization is less feasible and affordable for SMEs in low-income countries (LICs) where infrastructure and funding gaps restrict tech adoption;
- Top 3 SME investment priorities: Cloud, Security and ICT Infrastructure upgrades.

Government assistance

- Subsidy schemes (“productivity grants”) and skill development are seeing traction;
- Agile companies have been able to adjust, pivot or avail of Government support (convertible loans, cashflow support, matching funds for investments).

Informality and finance

- Informal micro and small enterprises (create 70%-95% of new jobs in Asia) have a hard time accessing subsidies & financing – struggle to invest. ILO: nearly half of the global workforce (1.6 billion informal workers) are in immediate danger of losing their livelihoods;
- Alternative channels for credit: mobile wallets linked credit, non-bank agent networks, alliances between banks and non-traditional actors (e.g. telcos, fast moving consumer good companies).

Innovation engines - Tech Startups

Tech Startups...

- attract talent and funding – create jobs;
- catalyze local innovation and help transform economies by driving innovation;
- help traditional businesses increase their productivity & competitiveness.

COVID-19 Impact

- Survival of the fittest: startups with a short financial runway shut down or struggle;
- Layoffs are rampant. Global survey: typical startup shed about a third of its staff;
- Venture capitalists are reducing their risk exposure, narrower but strong portfolios;
- Strong demand in sectors such as digital payments, logistics, agriculture, health. Biggest losses in travel & tourism, beauty & fashion, advanced manufacturing.

ADB Ventures – investments and technical assistance:

- Labs Programme: discovery of best-in-class tech companies
- Seed Programme: grant funding for market validation in developing Asia Pacific
- Investment Fund: cleantech, agritech, fintech, and healthtech, supporting scale-ups in South and Southeast Asia with a focus on climate & gender impact.

In addition to creating most of the net new jobs, tech companies have impressive job multipliers. The best estimates we have suggest that for every high-technology job, 5 other jobs are created in the economy. (Startup Genome 2020)

Why we pay attention to Tech Startup Ecosystems.

A conducive ecosystem...

- is made up of entrepreneurs, talents, enablers, and funders;
- is crucial for the emergence of viable startups;
- requires global connectedness to reach scale.

Success Factors:

- Ecosystem leadership (e.g. dedicated agency)
- Availability of equity funding (cost savings of up to 41% compared to subsidies).
- Ability to grow, retain or attract talents and skills
- Market opportunities

Drivers of the Digital Economy

- 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.

ADB will strengthen its investments in information technology and data for health, education, and financing for micro, small and medium-sized enterprises, while also addressing cyber security. (ADB President, 2020)

Our work on Tech Startup Ecosystems.

Research & Advocacy

- Policy Brief: "Startup Ecosystems and the New Normal";
- Publication: "Cloud Computing and Startups" (forthcoming);
- Compendium on platform economy (led by Economic Research Department);
- Country studies: Azerbaijan, Cambodia, Thailand and Vietnam completed. Next: Indonesia

Technical Assistance

- Technical assistance projects: Azerbaijan, Kazakhstan and CAREC Region;
- Knowledge sharing and advisory support to ADB Departments.

Knowledge Sharing and Convening

- Held regional workshop on Tech Startup Support in Seoul, South Korea (Apr 2019);
- Curated and facilitated Southeast Asia regional dialogue on Startup Ecosystems (Aug 2020);
- Webinar Series, featuring insights and case studies (late 2020 - 2021);
- Regional face-to-face workshop the Singapore Management University (planned for 2021).



Expanded access to affordable and reliable internet connectivity has become a new priority for developing Asia to empower people to be a productive workforce in a digital economy. (ADB President, 2020)

Sources: ADB President in [The Banker](#)

A microscopic view of plant cells, showing a network of cell walls forming a honeycomb-like structure. The cells are mostly hexagonal or pentagonal in shape. The background is a soft, out-of-focus blue.

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