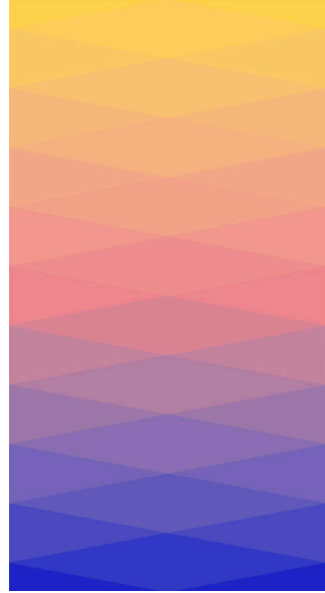




Scaling Frontier Innovation

Mapping and Analysis of
Entrepreneurial Ecosystems
Incubators and Accelerators
in the Asia-Pacific



JUNE 2019



Frontier
Incubators



INNOVATION
XCHANGE



Australian Government
Department of Foreign Affairs and Trade

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Disclaimer

A variety of primary and secondary research sources were collated to generate the information in this report.

This includes comparative global assessments from the World Bank, Asian Development Bank (ADB), Global Entrepreneurship Monitor (GEM), World Economic Forum (WEF), International Labour Organisation (ILO), and United Nations Development Programme (UNDP), which helped to provide quantitative baselines derived from common metrics and indicators.

Insights gathered during primary research interviews and from applications to the Frontier Incubators program were also incorporated into this analysis, as well as information available online (from websites and social media) about local activity.

All of these sources represent different ways of looking at the same issue - the health of entrepreneurial ecosystems - and all provide valuable perspectives.

Given the breadth of countries in scope, as well as the range of factors that influence the development of entrepreneurial ecosystems, the challenge was not finding the data but instead prioritising and summarising.

The synthesis undertaken attempted to give local actors 'a voice' rather than relying on macro-economic factors to tell the story. In recognition of subjectivity and potential bias, we have located these views within comparative, quantitative assessments. Moreover, our aim is to provide a picture of both influencing factors and local activities.

Please note that while we have shared recommendations for the region, we advise that further research is conducted to validate the opportunities specified, prior to decision making.

Lastly, our work was mostly done in English, and will therefore have missed some local context.

Acronyms

ADB	Asian Development Bank
AVI	Australian Volunteers International
B2B	Business-to-Business
B2C	Business-to-Customer
BCG	Boston Consulting Group
BIP	Business Incubation Program
BITB	Business Trade Investment Board
BPO	Business Process Outsourcing
CFA	Compact of Free Association
CMI	The College of the Marshall Islands
DFAT	Australian Government Department of Foreign Affairs and Trade
DFI	Development Finance Institution
EMIIF	Emerging Markets Impact Investment Fund
FHI360	Family Health International 360
FICAC	Fiji Independent Commission Against Corruption
FSM	Federated States of Micronesia
GCI	Global Competitiveness Index
GDP	Global Domestic Product
GEI	Gender Equity Index
GEM	Global Entrepreneurship Monitor
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HNWIs	High-Net-Worth-Individuals
ICO	Initial Coin Offering
ICT	Information and Communication Technology
ICTA	Information and Communication Technology Agency
ILO	International Labour Organisation
IMF	International Monetary Fund
iXc	innovationXchange

Acronyms

MAIN	Mekong Angel Investment Network
MDFs	Market Development Facilities
MFAT	New Zealand Government Ministry of Foreign Affairs and Trade
MSMEs	Micro-, Small- and Medium- Enterprises
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
P2P	Peer-to-Peer
PacRISE	Pacific Readiness for Investment in Social Enterprise
PIPSO	Pacific Islands Private Sector Organisation
PTI	Pacific Trade and Invest
RAMSI	Regional Assistance Mission Solomon Islands
SDC	Swiss Agency for Development and Cooperation
SFI	Scaling Frontier Innovation
SICHE	Solomon Islands College of Higher Education
SIYB	Start & Improve Your Business
SLASSCOM	Sri Lanka Association of Software and Service Companies
SMEs	Small-to-Medium Enterprises
SPC	Secretariat of the Pacific Community
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Programme
USP	University of South Pacific
VC	Venture Capital
VCCI	Vanuatu Chamber of Commerce and Industry
VYEC	Vanuatu Young Entrepreneurs Council
WASH	Water and Sanitation Health
WEF	World Economic Forum
WEM	Women Entrepreneurs of Mongolia
WEOI	Women's Economic Opportunity Index

Key Terms

Note - Definitions of all the terms below vary enormously. The following definitions apply only to this report.

ENTREPRENEUR: An individual who engages in the exploration of business models with a view to establishing new enterprises, start-ups, ventures or companies.

SOCIAL ENTERPRISES: A business with a purpose beyond profit, and a clear commitment to creating value for more than staff and / or shareholders. These are typically for-profit businesses that aim to generate revenue through their products / services, as well as social or environmental value. (Note - In some countries there are corporate forms or specific models that must be complied with, while in others it is self-ascribed, and hence variable.)

IMPACT ENTREPRENEURSHIP: Activity relating to the above.

STARTUPS AND VENTURES: For-profit businesses that are generally aimed at high, inorganic growth (i.e. through investment), and often centre on an innovative products / services, or business model.

ANGEL INVESTOR: Wealthy individuals or groups of people who are seeking out new opportunities to invest their funds. 'Angels' often provide capital for business start-ups.

CATALYTIC FINANCE: Capital to meet existing financing gaps and help entrepreneurs to seed, develop, and scale their organisations.

SMALL-TO-MEDIUM ENTERPRISES: More traditional for-profit businesses, often in established sectors, with familiar business models. Growth of these businesses is typically organic (i.e. based on sales and / or traditional lines of credit like financial institutions), and hence slower.

INFORMAL SECTOR: Typically unregulated, self-employed business operators without any protections or permanent premises.

COMPANIES AND CONGLOMERATES: Large, established businesses.

ENTREPRENEURIAL ECOSYSTEM: The actors, institutions, networks, assets, dynamics, and values that generate and sustain entrepreneurial activity.

INCUBATOR / ACCELERATOR: A structured support program for entrepreneurs, typically aimed at helping them to develop their business model, prepare for growth, and secure investment.

Context

Frontier Incubators is a capacity building program for incubators/accelerators in the Asia-Pacific, supported by the Australian Government Department of Foreign Affairs and Trade's (DFAT) innovationXchange (iXc) program.

It is part of the Scaling Frontier Innovation (SFI) initiative supporting social enterprises to scale their development impact in the Asia-Pacific region. Below is a summary of the program hypothesis, process, and objectives.

Hypothesis: Building the capability of incubators in the Asia-Pacific region will result in better quality support and will be available to more entrepreneurs, therefore creating better enterprises and resulting in greater development impact.

Process: Build the capabilities of a select cohort of incubators from across the Asia-Pacific region by funding and facilitating partnerships between them and global leaders in the field.

Primary Objective: Build the capabilities of (participating) incubators to increase the development impact of the entrepreneurs they support in the Asia-Pacific region.

Secondary Objective: Capture and share learnings about how donors/development organisations can build the capabilities of incubators in emerging markets to increase the growth and development impact of their cohorts.

Introduction

The intent of this report was twofold:

Firstly, it aimed to support decision making (i.e. informing selection of the cohort, as well as the structure and focus of capacity building offered through the Frontier Incubators program).

Secondly, it aimed to form the foundation of a resource that could assist iXc with understanding the entrepreneurial (and investment) ecosystems of the Asia-Pacific region. In addition to the original intentions, this report could also be used as a resource to help identify opportunities for community development.

While the primary focus was to understand the context of incubators/accelerators in eligible countries, it was also necessary to develop an understanding of the broader support systems that comprise the 'ecosystem' in which they operate, and the conditions shaping these.

An isolated incubator/accelerator, regardless of how exceptional its programming is, will struggle if there is no early-stage investment available in that area, or if the process of establishing a business is so difficult that it hinders entrepreneurship.

In light of this, the following report includes:

Macro-level analysis (i.e. what is the current state of entrepreneurial ecosystems around the Asia-Pacific*, and what is driving or hindering ecosystem development)

Meso-level analysis (i.e. who is doing what, where, and how)

Micro-level analysis (i.e. what do we know about the applicants, and who might be best placed to participate in the program)

Note - We have only included countries where the Australian Government has an active aid program, given they are the sole focus of the SFI initiative and its associated programs. These are referred to as 'eligible countries.'

Process

The primary objective of this report was to develop an understanding of the entrepreneurial ecosystems of the Asia-Pacific region.

To achieve this, mapping and analysis of entrepreneurial support (focusing on incubators/accelerators) and the prevailing conditions (or environments), was conducted through primary and secondary research. There were three stages to this process:

1. Analysis of factors influencing entrepreneurial ecosystems in the region
2. Mapping and analysis of ecosystems
3. Collation and analysis of data from applications

Assessing Entrepreneurial Ecosystems and Enabling Conditions

A tremendous amount of global research has been done to understand, evaluate, and influence entrepreneurial ecosystems. The range of indicators discussed in these reports vary, as does the categorisation, though there are commonalities. Based on our research and analysis, we propose the following categories as the fundamental pillars of an entrepreneurial ecosystem (in no particular order):

- Policy and Regulation
- Human Capital
- Market Access and Connectivity
- Access to Capital
- Culture
- Support and Infrastructure

Every eligible country in the Asia-Pacific was assigned a score in each of these categories based on the information available. The scoring drew on both qualitative and quantitative assessments. These were then collated and translated into a balanced score indicative of both the ecosystem's current state and the conditions it requires for development.

A score of 0-29 indicated a nascent and unsupported entrepreneurial ecosystem while 90+ indicates maturity.



Below, we provide context on each of these categories and how they contribute to the health of an entrepreneurial ecosystem.

Process

Policy and Regulation

This category focuses on the 'ease of doing business' in a country. This is a commonly used metric to assess how conducive the regulatory frameworks of a country are for starting and operating a business.

One of the most valuable resources used was the World Bank report 'Doing Business 2018', wherein each country was scored and ranked according to a set of indicators, culminating in an assessment of the ease of doing business in that country.

This is an important category to analyse, as entrepreneurial activity is heavily influenced by government policy, regulation, and the resulting systems and infrastructure. Policies and regulations lay the foundation for ecosystem development.

For example:

- Time and capital required to start a business
- Management of insolvency
- Access to electricity
- Access to credit
- Regulation of labour market
- Taxation
- Ability to trade
- Protection offered to investors

Human Capital

This category focuses on the education available in a country, any cultural issues that may influence workforce participation, as well as skills and capacities of both local entrepreneurs and diaspora. This category provides valuable insight into the maturity of the entrepreneurial ecosystem (or capacity to mature). Key indicators include:

- The presence of universities and/or programs offering entrepreneurial capacity building and qualifications
- The frequency and attendance of meet-ups, hackathons, and other social events focused on entrepreneurship
- Ability to attract international programs and/or organisations
- The presence of multiple generations of entrepreneurs, especially those who play active roles, share stories of success and failure, and offer mentoring
- Experienced managers and workforce talent who are willing to join new enterprises, startups or SMEs, instead of large corporations or firms

Process

Market Access and Connectivity

This category focuses on the speed at which startups are able to secure customers and create product/service market fit. The rate at which this happens is a key determinant of success. For entrepreneurs, the path to market is primarily shaped by access to and trade within local/regional (and sometimes global) customers and vendors. The path to market is also heavily influenced by the prevalence of e-commerce activity, internet and smartphone penetration, and financial inclusion.

In each country or region we can observe the level of entrepreneurial activity by evaluating their network and connectedness. If the networks and communities are very localised and isolated, then this indicates a nascent ecosystem. Where there is regional connectivity, a growth-stage ecosystem is indicated by growing relationships, partnerships, and trade.

Access to Capital

For an entrepreneurial ecosystem to foster access to capital, a wide array of financial and investment mechanisms are required. Particularly, to serve the evolving capital requirements of entrepreneurs over the lifetime of a business. The rates and size of investments are important metrics, however they only provide a narrow view.

Gaining insight into the pipeline or potential deal flow for investors offers a richer perspective. We looked at digital entrepreneurship data (a valuable proxy as it is generally the fastest growing and lowest risk sector), financing mechanisms available, and records of investments made.

Culture and History

Entrepreneurial ecosystems are (to varying extents) representations of the culture (or cultures) that they spring from. Cultures can be more or less conducive to entrepreneurship depending on many factors. For example, the perception of entrepreneurship as a legitimate career (and the associated stigma if it is not), appetite for risk, and social measures of success. In order to understand the entrepreneurial culture that exists in an ecosystem we have drawn heavily on indicators identified by the GEM reports. They include (but are not limited to) the following metrics:

- Early-stage entrepreneurial activity (new enterprises)
- Number of listed companies
- Fear of failure and rate of failure

Support and Infrastructure

This category focuses on the formal and informal support available to entrepreneurs, and on the quality of hard and soft infrastructure. Together, these form the social and technical systems that enable and support ecosystem development.

Primary data from the Frontier Innovators and Frontier Incubators programs were incorporated, along with country-level qualitative data (where available).

Process

Identifying Support Providers, Programs, and Other Ecosystem Actors

The process of compiling and reviewing reports for the macro-level analysis of ecosystems also helped us to identify support providers, programs, and other ecosystem actors. This information complemented the team's existing knowledge (from first-hand experience) of the Asia-Pacific ecosystem. From these sources, and additional desk/online research, we compiled lists of active programs in each country. This formed the basis of our meso-level analysis.

Note - The ecosystem assessments focus on enabling conditions and support for all entrepreneurship, rather than just impact-focused entrepreneurship. Where observations or data specific to these activities could be found they were included. On the other hand, when identifying support providers, we focused only on those organisations who specifically support (and tailor programming to suit) entrepreneurs seeking to create social enterprises or impact-focused businesses.

Analysing Data from Applications

To complement the macro-level analysis (of ecosystems) we looked at the information provided by the applicants on their respective ecosystems. For some countries (Bangladesh, Indonesia, Vietnam and Myanmar) we had enough applications to warrant a country-specific analysis of who applied. Otherwise, information is provided at a regional level.

Validation of Findings

To validate our findings we then had associates from our network review the country and region summaries, adding insight from their own experience.

Summary of Findings

From Assessments of Asia-Pacific Entrepreneurial Ecosystems

Notes on theoretical and practical approaches to ecosystem-level work:

- Referencing recent academic literature, entrepreneurial ecosystems are best understood as complex adaptive systems, “systems in which macro-level behaviours both emerge from and influence the micro-level interactions”. The main implication of this is that no two ecosystems are the same, and as influence is exerted by both internal and external factors (or endogenous and exogenous variables), they are constantly changing. However, defining archetypes could be a beneficial exercise.
- Ecosystems are comprised of a complex collection of attributes, actors and dynamics. Some of these are foundational factors, such as the availability of basic infrastructure, ease of doing business, quality of education, and the relative cultural appetite or stigma around entrepreneurship. Other factors relate to flows of capital and goods in and out of markets. These are primarily products of country-level policy and regulation. Additionally, there are more nuanced factors that come together to shape key dynamics such as adaptability, connectivity, and cohesion. In light of this complexity, it is important to acknowledge the difficulty of analysing and affecting ecosystems. Iterative and adaptive programming will be key.


Themes and patterns across Asia-Pacific ecosystems:

- Policy and regulatory issues present significant and enduring barriers in many countries, and are often entangled with and influenced by broader socio-cultural factors. Similar to infrastructural issues (although in fewer countries), these will be slow to change.
- Gender inequality is a major issue across the region. Additionally, class, race, religion, and the persecution of marginalised groups also need to be taken into account. Therefore, an intersectional approach is required.
- There is a lack of early-stage capital, flexible catalytic funds, as well as investors that are well placed to provide both financial and non-financial support that enterprises require to grow. Capital is required, but it's about more than just capital. Efforts to diversify capital (across the spectrum) and to support blended finance approaches would be beneficial, but the ‘missing middle’ (USD \$50k-\$1m) will likely present an enduring challenge. A range of interventions from innovative instruments and mechanisms to capacity building for local investor networks might be required.

Summary of Findings

From assessments of Asia-Pacific entrepreneurial ecosystems

- The global dialogue around entrepreneurship and investment has been largely driven by actors from mature ecosystems such as Silicon Valley, and by powerful voices within these. For this reason, there is a persistent and prevalent obsession with equity investments, high-growth, 'exits' (liquidity events), and 'tech' (i.e. technology) entrepreneurship across many of the regional ecosystems. This example represents one type of business and one of the growth pathways available, but it is an incredibly narrow framing. This hegemony can generate unrealistic expectations among investors, deter entrepreneurs, and stifle potential for innovation. While the dialogue appears to be changing and local contexts are being considered more thoroughly, it is important to note these issues within the program.
- Entrepreneurship as a vehicle for development is an exciting hypothesis. It offers a pathway for decentralising power in decision making, draws on local strengths and knowledge, and focuses on the empowerment of people in communities to address the issues that they face. It offers a solution to many of the perceived failures of traditional development.
- However, markets were not made for development and not all issues can be addressed through viable business models. Rather than simply using markets for development, they will need to be shaped for development. If the 'impact' market is to scale, trading schemes, incentive systems, and other initiatives that influence markets, will likely be required in addition to entrepreneurial ecosystem development through supporting local actors.
- Incubators and accelerators (especially those who engage in ecosystem/market building) rarely achieve financial sustainability through revenue generation. Even in developed markets, they are largely dependent on sponsorship, philanthropy and/or government funding.



Asia-Pacific Entrepreneurial Ecosystems



South and West Asia

Regional Overview

South and West Asia is generally not an easy place to do business. According to the World Bank's 'Ease of Doing Business' rank, countries (in scope) range from #75 (Bhutan) in the global rankings, to #183 (Afghanistan).

Policy and regulation are somewhat conducive to entrepreneurship in Bhutan, Nepal, and Sri Lanka, however policies hinder entrepreneurial activity in the Maldives, Bangladesh, Pakistan and Afghanistan.

Access to investment is average to poor across the region, and particularly bad in Afghanistan and Bhutan.

Support is weakest in Bhutan, the Maldives and Afghanistan, where the ecosystems are nascent. In addition, remoteness, the difficulty of moving capital, and/or security concerns, deter foreign-backed support programs.

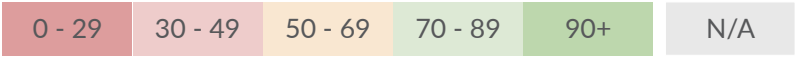
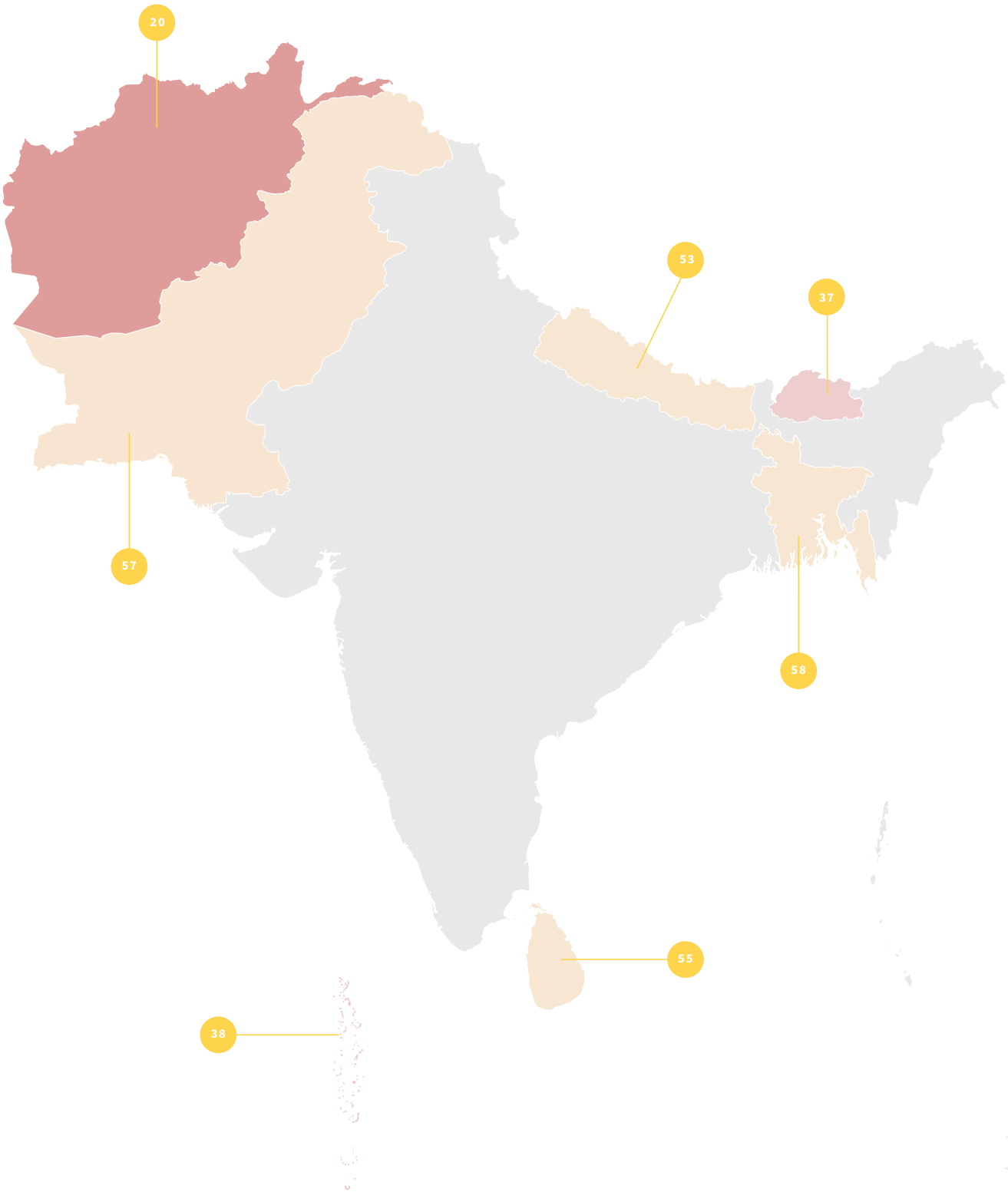
South and West Asia

Regional Overview

COUNTRY	BALANCED SCORE	SUPPORT PROVIDERS	HIGHLIGHTS
Afghanistan	20	12	<ul style="list-style-type: none"> Extremely nascent ecosystem Political and economic climate is very adverse to entrepreneurship
Bangladesh	58	34	<ul style="list-style-type: none"> Vibrant, growing ecosystem Access to growth capital is a key challenge, and local support programs are highly variable
Bhutan	37	4	<ul style="list-style-type: none"> Stunted ecosystem There is some potential with high literacy, strong tourism, and low tax rates
Maldives	38	9	<ul style="list-style-type: none"> Very nascent ecosystem Most support is currently from the government
Nepal	53	18	<ul style="list-style-type: none"> Nascent-to-emerging ecosystem Growth-stage capital is a key challenge
Pakistan	57	59	<ul style="list-style-type: none"> Emerging ecosystem Restrictions on capital flows and a lack of investor education pose challenges, and access to reliable electricity is an enduring issue (particularly in rural areas)
Sri Lanka	55	18	<ul style="list-style-type: none"> Emerging ecosystem Access to growth capital is a key challenge, however local actors are trying to address this and government support is increasing

South and West Asia

Regional Overview



Country Analysis

Afghanistan

Population: 34,656,000

GDP: USD \$19.47bn

The data available on Afghanistan is sparse and fragmented. With ongoing efforts to stabilise the economy and political situation, the capacity for an ecosystem to develop is limited. The World Bank ranks Afghanistan the lowest in the region for ease of doing business (and 183 out of 189 globally). Unfavourable policy and regulation present major and enduring barriers, with local entrepreneurs citing the tax system as one of the key challenges. However, in recent years the number of incubators/accelerators and other support organisations operating in Afghanistan has been steadily increasing.

As is often the case in very nascent ecosystems, many support providers and advocates for entrepreneurship in Afghanistan work closely with one another, but as yet, no flagship support program has emerged. Reliance on donor funding is still widespread (Afghanistan receives over USD \$4bn annually, making it the second highest recipient globally, after Syria). This reliance generates an environment of financial precarity in these organisations, which in turn affects their capacity to retain staff and partners, and impacts the quality of the services they provide.

Access to capital also remains a major issue. Similar to Bangladesh, commercial lending is inaccessible and microfinance is insufficient for most entrepreneurs. While there are high-net-worth individuals (HNWIs) in the country who have capital to invest, this activity is typically done outside the country.

Recommendations

- Fostering national dialogues (facilitated networking) between entrepreneurs and investors would be beneficial
- Building capacity of support providers to increase their effectiveness and sustainability would have a significant impact
- Given the low level of economic opportunity for women, consider supporting programs that focus on women entrepreneurs to improve gender equality
- Programs that support the development of early-stage finance, such as angel network capacity building, first-loss capital funds, and technical assistance (TA) facilities, will be required

Our research uncovered 12 support providers that deliver some type of impact entrepreneurship support. All are headquartered in Kabul, the capital city, and around half are coworking spaces offering only informal support. We received applications from two of these.

Bangladesh

Population: 162,951,000

GDP: USD \$221.41bn

Bangladesh is home to two of the world's best known social businesses (Grameen and BRAC), however the country is a difficult place to do business largely due to unfavourable policy and regulation. While the country's tax structures have improved significantly in recent years, access to credit, enforcement of contracts, and barriers to land registration are cited as ongoing issues. Additional issues noted include unreliable electricity supply, lack of infrastructure (namely roads), and political instability.

There are well established financial systems in Bangladesh, however, as these service large companies, loans and other debt instruments have remained inaccessible to SMEs. It was this very issue that prompted Muhammad Yunus to found Grameen Bank and to pioneer microfinance. Although in recent years, with the advent of Bangladesh Bank SME Credit Policies, this issue has changed. The majority of commercial banks are now mandated to provide loans to SMEs in impactful sectors such as agriculture and renewable energy. However, most startups (who lack the collateral required for loans and require larger investments than microfinance can offer) are still reliant on family, friends, or early-stage investors.

In spite of the barriers faced, the entrepreneurial ecosystem in the country is vibrant. There is strong activity in microfinance, agriculture, renewable energy, education, and health, and growing interest in early-stage investment from both local and foreign actors.

Highlights

- Unfavourable policy and regulation remain key barriers to entrepreneurship and Bangladesh scored very highly in all ecosystem categories except for this index
- Entrepreneurial activity is overwhelmingly centred in the capital city, Dhaka

- Scaling up and managing growth remain key challenges for entrepreneurs, as access to capital and legal issues become more important
- Bangladesh is one of the most vulnerable nations to the impacts of climate change. This will have the greatest impact on the agricultural sector, which is already struggling to meet the needs of a malnourished population
- Bangladesh receives around USD \$2.5bn in ODA annually, making it the seventh highest recipient globally

Recommendations

- Increase in availability of early-stage capital would have a huge impact, particularly if focused on key sectors such as agriculture
- While the number of support providers is steadily increasing, questions have been raised about the quality of their services, and capacity building for these organisations/programs could be valuable
- Programs focused on women entrepreneurs and/or regional areas would help to diversify the ecosystem

Our research uncovered 34 current support providers and all delivered some type of impact entrepreneurship support. We received applications from ten of these. All except for two are headquartered in Dhaka, the capital and largest city in Bangladesh, although a few providers have indicated plans to open elsewhere in the country.

Twenty of these organisations are capacity builders (incubators/accelerators), four are funders, four are coworking spaces offering some informal support, and the remaining are either not-for-profits or consultants working with entrepreneurs in some capacity.

Bangladesh

Population: 162,951,000

GDP: USD \$221.41bn

Of the programs that applied to Frontier Incubators:

- Five are for-profit, three are not-for-profit, and two are hybrids
- Eight programs have been operating between two and four years, and the remaining two have operated for eight and ten years respectively

The top challenges cited in their applications were:

- Investor relations (70%)
- Understanding and addressing gaps in enterprises (70%)
- Business model viability/sustainability (50%)
- Networks and partnerships (50%)

Applicant feedback

In addition to rating key issues, the applicants also shared insights into the challenges they are facing. Investment was the most common challenge that applicants cited. However, it was not simply a lack of investors but the lack of local investors, and many lamented their unwillingness to appreciate the long-term strategies of most social enterprises. In the words of one applicant:

“There is a lack of local funders and a very limited pool of global funders in the space to support long-term incubation (or social entrepreneurship). Traditional funders majorly lean towards funding initiatives that are sufficiently risk averse and generate easily identifiable, large-scale impact within specific times, such as NGO projects.”

In line with almost all of the entrepreneurial ecosystem infrastructure being based in Dhaka, applicants also noted that it was almost impossible to attract any attention from investors if they are outside of the capital city.

Policy and regulation was the second most commonly referenced challenge. In the words of another applicant:

“In stark contrast to its neighbouring counterparts – India and China -- Bangladesh, currently a factor driven economy, is barely hanging onto the lower rungs of the global competitive index. The obstacles lie in inefficient systems, bureaucratic ‘red tape’, and political turmoil.”

Again in line with our research, applicants reported that the focus on large companies was a major barrier:

“Our society as a whole is yet to embrace the concept of ‘business out of opportunity’ at large - especially the elders has the viewpoint that you only [start a] business if you fail to get a respectable job and in itself business is out of necessity and not a prestige institution.”

Related to this, is the issue of employee retention:

“Employee retention is a big problem, because we can not pay a lot, after receiving a certain amount training they end up joining a bigger organization like BRAC or Grameenphone or The World Bank.”

Climate change was also specifically mentioned by many applicants, however in light of the vulnerability of the country to the impacts of climate change, this is not surprising.

Bhutan

Population: 798,000

GDP: USD \$2.23bn

Bhutan ranks highly for ease of doing business and economic freedom, and ranks the lowest in the region for corruption. In spite of this, it is still regarded by the United Nations (UN) as one of the least developed countries in the world. While policy and regulation are conducive to entrepreneurialism, other factors including the lack of human capital, support providers, and access to finance, hinder development. As a result, the entrepreneurial ecosystem remains nascent.

Highlights

- Bhutan has shown a positive increase in almost every indicator that constitutes policy for doing business in the country
- The presence of venture capital has been increasing in the last few years, and growth is steady compared to other countries in the region
- Bhutan has leapt ahead in the Global Competitiveness Index (GCI), as measured by the WEF, and shows some of the highest rates of growth in the region
- Tertiary education is steadily increasing
- Current growth sectors are agriculture, renewable energy resources, and transportation
- Gross Domestic Product (GDP) growth forecast for Bhutan in 2018-19 is at 7.1%, ranking it just after India (in terms of GDP forecast per capita)
- Key areas of need include human capital (especially labour relations), access to capital (especially early-stage), access to markets, and support providers (namely incubators/accelerators and early-stage investors such as angels)

Recommendations

- This is a nascent ecosystem with very strong potential to rapidly develop
- A focus on entrepreneurship in agriculture, renewable energy, and infrastructure will leverage existing growth in these sectors

Our research uncovered only four support providers that deliver some type of impact entrepreneurship support. We received applications from two of these.

Maldives

Population: 427,756

GDP: USD \$4.22bn

The majority of entrepreneurial activity in the Maldives is in the informal sector. It belongs to a special category of countries called 'small island economies', of which a large number are dependent primarily on tourism and a narrow range of export products. The major issues include high transport costs, limited natural resources, and a limited labour market.

While there is not an entrepreneurial ecosystem, in recent years Techstars and UNDP have begun hosting events and a number of local organisations have started offering more structured support.

Our research uncovered nine support providers operating in seven different cities across the Maldives. All delivered some type of impact entrepreneurship support, although six of these are part of one government initiative. We did not receive any applications from the country.

Nepal

Population: 28,928,000

GDP: USD \$21.1bn

Nepal ranks just behind Bhutan for the indicators of ease of doing business and competitiveness. Recently, there have been some positive changes in policy (notably in the areas of protecting minority investors and securing construction permits), however there is still a high cost related to starting a business.

Over the last five to six years, the entrepreneurial ecosystem in Nepal has developed rapidly, with organisations like Rockstart Impact (One to Watch), Anterprerana, NEXT Launchpad Program, the Enterprise Business Accelerator Program, and Slush Global Impact Accelerator, all running regular programs. Startup weekend events are also regularly held, with support from large private companies like NCELL. Direct government activity remains limited. For example, the Business Incubation Program (BIP), which operates under the Department of Cottage and Small Industries, has not been active since its launch in 2014. Policy and regulation reform are supporting the ecosystem's development, but the government has not been able to finalise the National Startup Policy which was drafted early in 2018.

As a traditionally agrarian economy, the average Nepali views running a business as a risky proposition (GCI 2017). For this reason, older generations generally regard entrepreneurship with scepticism, although attitudes are changing. The word 'entrepreneurship' has reportedly become common in Nepal over the last couple of years. As political stability increases after the implementation of a new constitution, young people are reported to be actively seeking employment and considering entrepreneurship as a career path.

While this shift and improvement of enabling conditions are promising, access to finance remains a major barrier. Accessing seed capital appears to be manageable, while growth-stage capital is much harder to secure. Unable to find the funds they need to scale, many ventures shut down after a few years.

Mobile apps, e-commerce, and web solutions are common focus areas for entrepreneurs with some growth in urban farming, biomedical waste management, clean drinking water, premium leather products, eco-friendly housing solutions, biotech, and zero-emission brick production. Though the number of startups has reportedly grown dramatically in recent years, data to support this was not available.

Highlights

- The country is still recovering from the impact of the major earthquake in 2015
- Access to capital (particularly growth-stage) remains a barrier
- Human capital (particularly access to skilled labour) is also a major barrier
- GDP growth forecast for 2018-19 is 4.9%, which is one of the lowest in the region
- Current growth sectors are infrastructure, education and training, Water and Sanitation for Health (WASH), and rural infrastructure (including renewables)

Recommendations

- While support providers are growing in number, the quality of services is reportedly variable, and therefore capacity building of incubators/ accelerators would be impactful
- Supporting early-stage finance providers (e.g. angel networks), would have a significant benefit in the country

Our research uncovered 18 support providers operating in four different cities across Nepal, and all delivered some type of impact entrepreneurship support. While at least three of these are headquartered in other countries, they all have local offices. We received applications from five of the support providers.

Pakistan

Population: 193,203,000

GDP: USD \$278.65bn

While Pakistan has reportedly seen a sharp increase in entrepreneurial activity in recent years, the lack of infrastructure outside major cities, a longstanding energy crisis, and bureaucratic ‘red tape’ (i.e. cumbersome bureaucratic processes), are cited as key barriers to the development of an entrepreneurial ecosystem. Attitudes towards entrepreneurship is also a barrier, as stable employment is a preferred option to starting a self-owned business, especially among youth.

ICT enterprises (namely software/app developers) account for much of the growth in the country. Most of these businesses are focused on business-to-customer (B2C) models. In light of this, local support providers highlight a missed opportunity in business-to-business (B2B) models and development in other sectors.

Highlights

- Policy and regulation are critical issues (Pakistan ranks 147 out of 189 on this index), as well as poor infrastructure
- The number of support providers is steadily increasing
- Access to capital (especially early-stage) is an issue, although investor education is a critical gap, namely for inexperienced angel investors
- Market access remains an enduring issue as local and regional distribution channels are limited
- A lack of secure and reliable e-payment gateways, as well as issues hindering the flow of money in and out of Pakistan, remains a major issue for both entrepreneurs and investors

- GDP growth forecast for 2018-19 remains low at 2.9 %, and is a pertinent issue, especially given the increasing population
- Pakistan receives around USD \$2.9bn in official development assistance (ODA) annually, making it the third highest recipient globally
- The concepts of social innovation and enterprise have gathered momentum, however scale remains a challenge

Recommendations

- There is a strong opportunity to leverage local efforts and to support development of the ecosystem
- Looking for opportunities to leverage growth sectors and to diversify entrepreneurial activity into new business models would be impactful, as these are currently being missed
- A small number of Pakistani corporates are driving much of the local efforts, thus partnerships with these may be impactful
- Investor education, namely supporting inexperienced angels to better understand their roles, responsibilities, and the associated risks, is an important area for development

Our research uncovered 59 support providers operating in ten different cities across the country, and all delivered some type of impact entrepreneurship support. We received ten applications from Pakistan. Invest2innovate, an established intermediary, is one of the Frontier Incubators Program Partners.

Sri Lanka

Population: 21,203,000

GDP: USD \$81.79bn

While some of the enabling conditions for entrepreneurship are conducive, for example the cost of registering a business is low, bureaucratic processes in Sri Lanka are reportedly difficult and slow. In addition, on other metrics such as the strength of collateral and bankruptcy laws to protect the rights of borrowers and lenders, Sri Lanka ranks low.

Around 80% of businesses are SMEs, and they contribute over 50% of the GDP. More recently, the country's digital service sector has been growing rapidly. This growth in software development and business process outsourcing (BPO) has been led largely by active (or returning) diaspora. The Information and Communication Technology Agency (ICTA) has also been a key contributor, initially through the Spirallation program and more recently the Disrupt Asia conference.

Social enterprise activity is growing steadily, and last year a reality TV show called 'Ath Pavura', with a focus on social entrepreneurs, launched on a national network. Last year also marked the launch of Citra, a social innovation lab focused on youth entrepreneurship. This is the result of a collaboration between the UNDP country office and local government.

Highlights

- A survey conducted by the Sri Lanka Association of Software and Service Companies (SLASSCOM) in 2016, indicated that of the 125 existing startups, only 28% had received any funding
- Adequate access to debt finance was listed as a major problem for aspiring entrepreneurs, particularly for those working in hospitality and education sectors
- Around 96% of entrepreneurs are male
- Investors are centred in Colombo and there was no evidence of investment activity in other cities
- Availability of affordable workspace and lack of reliable e-payment systems are considered significant barriers
- Access to capital (particularly growth-stage) is a major barrier
- Market access remains a barrier

Recommendations

- Building an entrepreneurial ecosystem would also require a shift in culture, to foster entrepreneurship and learn from failure. This may require an increase in training for mentors and advisors to support fledgling businesses
- Over 50% of existing and aspiring entrepreneurs find the lack of affordable workspace to be a barrier. Fostering public-private partnerships could be impactful, as these are often key to establishing effective information and communications technology (ICT) coworking and early-stage incubation hubs
- A focus on women entrepreneurs is required as there is significant gender inequity

Our research uncovered 18 support providers operating in three different cities across Sri Lanka. All delivered some type of impact entrepreneurship support, three of these are part of one government initiative. We received applications from two programs.

Southeast and East Asia

Regional Overview

While doing business in Southeast and East Asia is generally somewhat easier than other regions in the Asia-Pacific, policy and regulation in some countries is still far from conducive, particularly in Cambodia, Laos, Myanmar, and Timor-Leste.

According to the World Bank's 'Ease of Doing Business' rank, countries (in scope) range from #26 (Thailand) in the global rankings, to #178 (Timor-Leste).

Other common issues across the region included cultural barriers, a lack of access to capital, and difficulty accessing new markets.

With the exceptions of Timor-Leste and Mongolia, all countries appear to have a reasonably mature network of support providers.

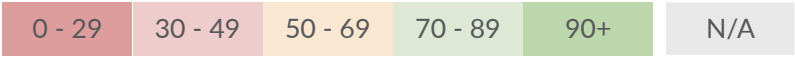
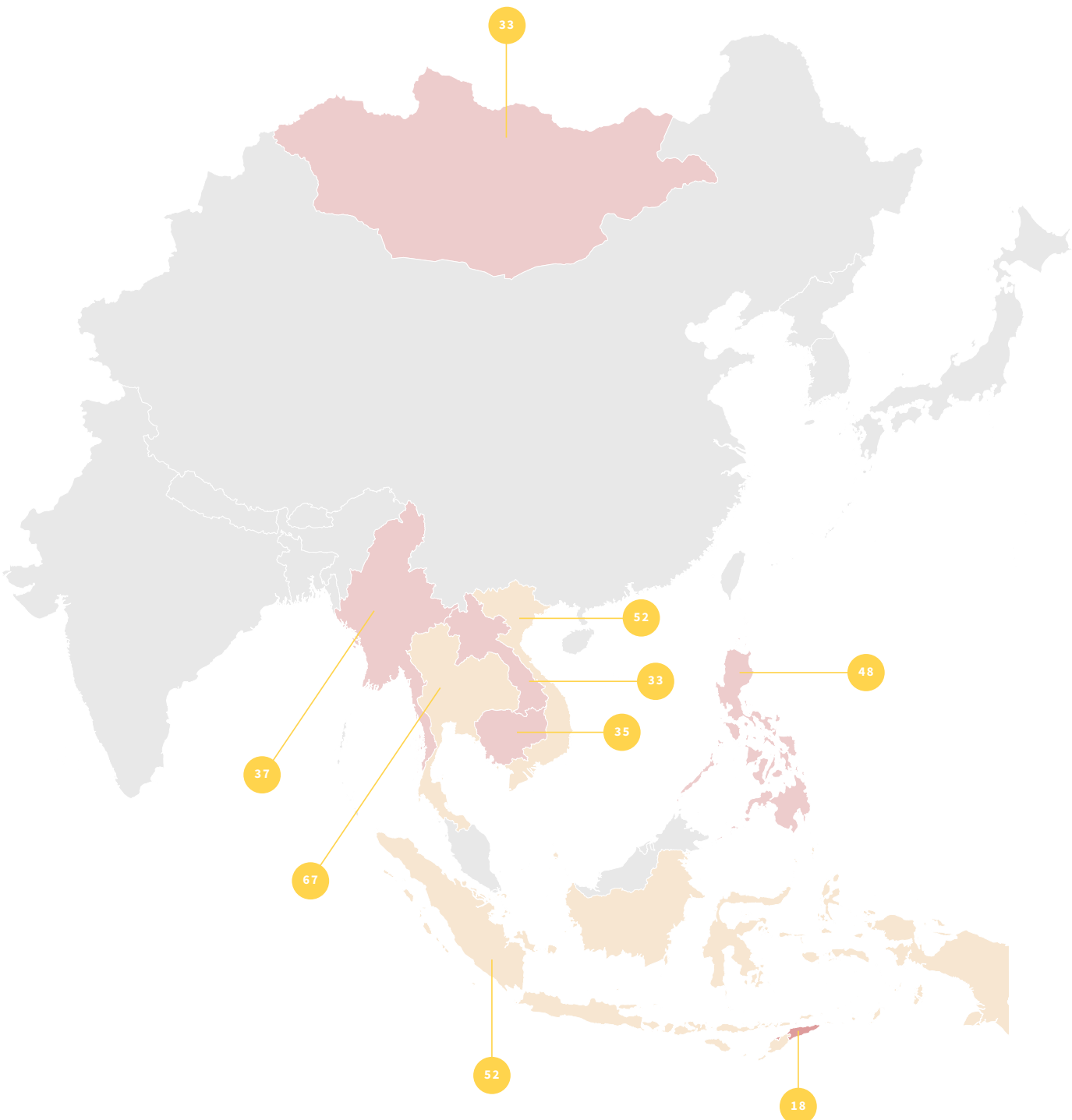
Southeast and East Asia

Regional Overview

COUNTRY	BALANCED SCORE	SUPPORT PROVIDERS	HIGHLIGHTS
Cambodia	35	35	<ul style="list-style-type: none"> Nascent ecosystem Barriers to quality education and limited human capital are an enduring challenge
Indonesia	52	73	<ul style="list-style-type: none"> Growing ecosystem High internet penetration, increasing government support and available capital Perceptions of failure, regulations, and cultural issues pose challenges
Lao PDR (Laos)	33	9	<ul style="list-style-type: none"> Nascent ecosystem Low internet penetration, cultural issues, and regulations all pose challenges
Mongolia	33	9	<ul style="list-style-type: none"> Very nascent ecosystem that is showing strong potential Currency and interest rates are challenges, however local efforts (especially those led by and for women) are gaining traction
Myanmar	37	22	<ul style="list-style-type: none"> Nascent-to-growing ecosystem Human capital and policy and regulation remain key challenges
Philippines	48	19	<ul style="list-style-type: none"> Growing ecosystem High internet penetration, increasing government support and available capital Perceptions of failure, regulations, and cultural issues pose challenges
Thailand	67	33	<ul style="list-style-type: none"> Fast growing ecosystem Cultural perceptions of entrepreneurship pose a challenge, although government support is high and efforts to address this are increasing
Timor-Leste	18	7	<ul style="list-style-type: none"> Extremely nascent ecosystem Prohibitive policy and regulation are key challenges
Viet Nam (Vietnam)	52	46	<ul style="list-style-type: none"> Growing ecosystem Engineering, computing and coding abilities are of a very high standard

Southeast and East Asia

Regional Overview



Country Analysis

Cambodia

Population: 15,762,000

GDP: USD \$20.02bn

Among the poorest countries in the region (just ahead of the least developed country, Laos), Cambodia has some interesting strengths and weaknesses. It ranks particularly poorly on human capital, attributed largely to an ineffective education system. Although, it boasts some of the fastest rates of internet and smartphone penetration in the world. This is incredible given that around 60% of the population does not have access to electricity. Policy and regulation are enduring barriers (particularly business registration), however agents can help to expedite the process for a fee. These types of costs, as well as the generally low quality of education, reportedly makes entrepreneurs an 'exclusive' community.

Technology-focused startups account for the bulk of entrepreneurial activity in the country. In recent years, the government has launched a number of supportive initiatives including the Startup Policy Hack. The government has also hosted various startup and SME forums, which connect policy makers with entrepreneurs in order to collaboratively create strategies to develop the country's digital economy. However, local actors point out that little has changed at a policy level following these conversations.

According to entrepreneurs, access to capital is the key barrier. However, multiple investment firms testify that local startups simply do not have the qualities that investors are looking for. Investors may well be overly conservative, but with generally poor education and less than conducive conditions, the supply of investment-ready startups may be a real barrier as well.

Highlights

- Cambodia ranked the worst in the region in the WEF Global Human Capital Report 2017, due to poor performance in education and training
- Ongoing low ranks (or poor scores) in various human capital indexes reflect ongoing deficiencies in the country's education system, with the poorest performance in the 15-24 years of age bracket, which scored 99 out of 130 countries
- The country boasts one of the fastest internet penetration rates in the world. In 2010, only 0.5% of Cambodians were online, by 2013 this rose to 31.8%, while recent estimates show that over 50% of Cambodians now have internet access, mainly via smartphones
- 94% of the population reports they have access to a mobile phone, 40% of which are smartphones
- Securing finance is particularly difficult in Cambodia, as most of the country's banks only accept real estate as loan collateral and there are few active early-stage investors
- The Mekong Angel Investment Network (MAIN) has been running tours and events to build connections between entrepreneurs and investors, and to generate interest in local startups. However, they do not offer capacity building or any catalytic finance, so the impact of these activities is limited

Cambodia

Population: 15,762,000

GDP: USD \$20.02bn

Recommendations

- Efforts to improve the quality of education, or to provide viable alternatives, will be critical to further development of human capital
- A larger, more diverse range of early-stage financing mechanisms would be impactful, such as the Mekong Business Initiative (MBI), which is promoting local Peer to Peer (P2P) lending platforms

Our research uncovered 35 support providers that delivered some type of impact entrepreneurship support. We received applications from four of these programs.

Almost all support providers are headquartered in Phnom Penh, at least five are local offices of global networks/ organisations, and around half are coworking spaces that offer a range of formal and informal support.

Interestingly, quite a few of the support providers in the country are sector-specific or focus on a particular niche. For example, Nexus for Development focus on building the capacity of local enterprises to tap into the European carbon market, while SHE Investments targets local women entrepreneurs. While both are headquartered in the country, they are led by foreigners.

Indonesia

Population: 261,115,000

GDP: USD \$932.26bn

Indonesia ranks 72 for ease of doing business, behind Thailand and Vietnam, largely because of the time and money required to start a business, for both locals and foreigners. While policy and regulatory reforms have been made, this remains an enduring issue. A lack of direct government incentives and investment also hinder ecosystem development. However, in recent years private sector involvement has increased, as has foreign investment, and the state-owned telecommunications provider has initiated incubation and acceleration programs.

The strongest entrepreneurial growth has been in fintech. Local startups are increasingly competing against the country's established conglomerates and banks, who themselves are eager to capitalise on fintech solutions to stay relevant and/or diversify revenue.

Investment into the country's tech sector has been strong in recent years, particularly for fintech startups. This activity looks set to continue, as 78% of the population remains unbanked and incomes are increasing, according to the Asian Development Bank (ADB).

Lack of talent remains an enduring barrier, particularly in science and engineering, although Indonesia ranks highly for innovation and business sophistication. Indonesian startups are embracing e-payment gateways and are going cashless. With high internet and smartphone penetration, this move offers a quick path to scale. However, due to regulations, namely the license required, there remains a barrier to entry.

Furthermore, advantages such as market size and generally conducive policy and regulation, are weakened by excessive redundancy costs, limited flexibility of wage determination, and limited representation of women in the labour force.

Highlights

- The proportional cost of starting a business (as a percentage of income per capita) is almost 11%, the highest in the region
- Tax and contribution rate as a proportion of profits is around 30%, the second highest in the region after Vietnam
- The fear of failure rate is currently 46%, which has risen 8% in recent years
- On human capital indexes, the country is on par with Vietnam yet below Thailand and Philippines
- The gender equity opportunity ratio is 0.79, well below the regional average of 0.93
- Corruption and government bureaucracy are cited as the main challenges affecting enterprise development and growth
- VC activity increased around 600% in 2015-16

Recommendations

- Fostering national dialogues (facilitated networking) between entrepreneurs and government would be beneficial, especially if focused on entry-to-market
- Efforts to support women entrepreneurs would have a positive impact on gender equity
- The government has launched nationwide initiatives focused on the tech sector, creative industries, agriculture, fisheries, healthcare, and education. Complementing these efforts with funding mechanisms and technical assistance targeted at high-growth enterprises, would have a large impact

Indonesia

Population: 261,115,000

GDP: USD \$932.26bn

Our research uncovered 73 operating support providers that all delivered some type of impact entrepreneurship support. We received applications from 13 of these. The majority are headquartered in Jakarta, the capital and largest city. Of the 73 identified, 30 are capacity builders (namely incubators/accelerators), 21 offer some type of investment/funding, and six are coworking spaces. As with most other countries in the region, the coworking spaces seemed to be promoting themselves to travellers and expats more than locals.

Of the programs that applied to Frontier Incubators:

- Five are based in Jakarta, two in Bali, and the others are all in different cities (including one in Singapore, but focused on Indonesia). This makes Indonesian applicants the most geographically diverse of the 31 countries we drew applicants from
- Three are for-profit, eight are hybrids, and one is not-for-profit
- Five have been operating for two years or less, four have been operating for four or five years, two for seven years, and one claimed 46 years of operations

The top issues cited in their applications were:

- Investor relations (69%)
- Business model viability sustainability (62%)
- Getting products/services to market (38%)
- Recruiting mentors (31%)

Applicant feedback

Over the last decade, the number of entrepreneurs in Indonesia has grown rapidly and social enterprises have featured heavily, yet the country does not yet have strong support systems. In 2015, the Boston Consulting Group (BCG) released a report noting the presence of over 1,400 social enterprises in the country.

The most common challenges cited by Indonesian applicants, was that investors working in Indonesia are not interested in early-stage companies. Indonesia is large enough that companies can grow in the domestic market alone, and many applicants commented that investors seem focused on looking for billion-dollar-valuation 'unicorns' (Indonesia has a few already), rather than supporting startups or social enterprises.

Another issues raised was the lack of involvement of established companies and the lack of collaboration across groups. In the words of one applicant:

"In Indonesia, we're still working in silos, where each corporation likely to build their own corporate innovation centre or incubator, without more efforts to partnering with external parties."

This was evident even in our application pool, as two separate firms referred to themselves as the only incubator for early-stage social enterprises in Indonesia.

Those based outside of the capital city, Jakarta, were quick to point out the difficulty of working in a highly geographically dispersed country:

"With Indonesia's sheer size and topology, connectivity and infrastructure are immense challenges. Some rural areas do not have infrastructure and access to internet and standard safety road and transportation."

Lao PDR (Laos)

Population: 6,663,000

GDP: USD \$15.81bn

Entrepreneurial activity in Laos is largely confined to the capital city, Vientiane. Outside of the capital, the economy is reliant on tourism and subsistence agriculture, and there are few options for accessing higher education.

The country's development has been heavily donor funded, however favourable geography makes it a valuable trading partner/mediator. Laos is a regional hub for the provision of electricity, with neighbouring Thailand and Vietnam amongst its most dependent customers. However, foreign investors largely finance, and thus benefit from, the country's power production. Regional demand also impacts local distribution and parts of the country are still without access to power.

In recent years, the government has driven policy and regulatory reform, and succeeded in attracting multinational corporations and foreign banks. However, regional competitors like Ho Chi Minh City and Bangkok are still favourable for many considering expansion into the region.

Market size is cited as one of the major barriers to enterprise growth, followed closely by risk aversion, and a lack of talent. Similarly to Thailand, there is a preference amongst young professionals for careers within established companies. In spite of this, entrepreneurial activity is growing.

Highlights

- Laos ranks #98 of 137 in the GCI. This is attributed to poor infrastructure, lack of economic growth, technological readiness, market size, and poor education
- The most commonly cited issues include an inadequately educated workforce, tax rates, regulations, and access to finance
- Internet penetration is low at around 20%, which supports the assessment of technological readiness

Recommendations

- Of all the countries in the region, Laos may be the one in which entrepreneurship could deliver the largest impact. However, in order to develop a mature ecosystem, investments in infrastructure, institutions, and education systems will be required
- Many approaches to early-stage ecosystem building have been tested and assessed, and there are great resources to draw on. Developing a coordinated, evidence-based could be a hugely impactful contribution
- Fostering national dialogues (facilitated networking) between entrepreneurs and investors would be beneficial
- Capacity building within local support providers would help to increase effectiveness and sustainability

Our research uncovered nine operating support providers that all delivered some type of impact entrepreneurship support. We received applications from two of these. Of the support providers, two are local offices of global networks/organisations and only one offers some type of investment.

Mongolia

Population: 3,027,000

GDP: USD \$11.18bn

Landlocked between Russia and China, but culturally and linguistically very different from both, Mongolia's economic growth has been largely driven by mining. In 2012, the country was recorded as the fastest growing economy in the world. This was largely thanks to incoming funds to establish two mines, however there was a deep recession soon after.

The country has been bailed out by the International Monetary Fund (IMF) multiple times. Currency and interest rate pressures, brought in by the government in an effort to stabilise the currency, are felt acutely by business owners.

The government has recently increased its support for (and rhetoric around) innovation and entrepreneurship. Hence, it has increased funding for science and technology programs and research in universities. The country ranks highly for ease of doing business, however there appear to be few (if any) policies or regulations designed to promote entrepreneurship.

The Business Council of Mongolia has been leading efforts to change policy and regulation, particularly related to investment, taxation, and export, although these remain challenges.

Entrepreneurship may be a relatively new term in Mongolia but SMEs account for over 25% of GDP and much of the employment. Entrepreneurial ecosystem activity is increasing, with a growing number of 'bootcamps' and early-stage pitching events being run by three, key local actors, Women Entrepreneurs of Mongolia (WEM), Development Solutions, and Startup Mongolia.

There is also some global support from Techstars, which has been actively supporting the efforts of WEM for some years, the World Bank, USAID, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Swiss Agency for Development and Cooperation (SDC) and more, which have all run programs aiming to foster entrepreneurship.

Returning diaspora are also credited as playing a key role. However, the limited domestic market, history of commodity dependence, and difficulty accessing capital, all pose significant challenges for the ecosystem's development.

Mongolia

Population: 3,027,000

GDP: USD \$11.18bn

Highlights

- In spite of the issues raised about government policies, the country ranks #62 for ease of doing business, just ahead of Vietnam, making it the second highest ranking country in the region
- Tax and contribution rates are also low at 24.7%, just below Thailand at 28.7%, and the country has been actively driving reform in the financial services sector
- On human capital, Mongolia ranks poorly at #51, just behind the Philippines
- According to the Gender Equity Index (GEI) 2012, published by Social Watch, Mongolia is one of the few countries in the Asia-Pacific to have achieved a 'medium' ranking
- According to the GCI, Mongolia ranks #101 of 137, largely due to foreign currency regulation, corruption and political instability
- Internet penetration is high at 65%, and over 74% of the population live in urban areas (over 50% live in the capital, Ulaanbaatar)
- As entrepreneurial activity increases, there will be a demand for support services, mentors, and early-stage finance, which key local organisations will not be able to meet

Recommendations

- Continued support for the key local actors (the ecosystem builders) would be valuable
- Efforts to improve access to capital, and to diversify the capital available, would be beneficial
- A focus on driving innovation in established sectors, as well as understanding growth pathways for businesses in these sectors, would help to build on existing assets and capacity
- Efforts to support women-led businesses would be beneficial and would complement strong local activity in this area

Our research uncovered eight support providers that delivered some type of impact entrepreneurship support. We received applications from three of these. They are all based in Ulaanbaatar, the capital city.

Myanmar

Population: 52,885,000

GDP: USD \$63.23bn

The entrepreneurial ecosystem of Myanmar has been developing rapidly in recent years. However, policy and regulatory issues and poor infrastructure (particularly energy) continue to be a challenge. Internet and smartphone penetration are high, although use is often limited to social media. While agriculture remains the predominant industry and employer, tech entrepreneurship (and support for it) is growing.

Additionally, the presence of global investors and intermediaries is also increasing (e.g. Founder Institute and One to Watch). Phandeeyar, often described as the heart of Myanmar's startup community, is an innovation lab that is spearheading the development of the country's tech entrepreneurship activity through various initiatives such as hackathons, makerspaces, and incubation/acceleration programs.

There are signs that impact entrepreneurship in the country is also growing. Although, education systems have suffered during decades of military rule and transportation in rural areas is problematic, especially during the rainy season. These issues make it difficult to build teams and reach rural populations.

Foreign aid remains significant, however the recent Rohingya crisis is affecting this. Policy and regulatory issues (especially those affecting tax, education and infrastructure) will continue to pose challenges, although entrepreneurial activity and foreign interest appear to be steadily growing.

Highlights

- The country ranks #171 for ease of doing business, which is the second lowest in the region, just ahead of Timor-Leste (#178). This is largely due to the cost of starting a business (40.1% of annual income), one of the highest amongst eligible countries in the region

- On human capital, Myanmar ranks at #89, just ahead of the lowest ranking country in the region, Cambodia, which is largely due to poor education
- According to census data, labour force participation is 81.7% for men and 47.1% for women (for persons aged 15–64 years)
- Myanmar has made commitments to gender equality and women's empowerment. These efforts are led by the Ministry of Social Welfare, Relief and Resettlement
- Internet penetration is high and estimates range between 34 and 47%, with over 36% of the population living in urban areas

Recommendations

- Building the capacity of support providers, and/or building supportive systems to fill service gaps (e.g. in available mentors), could help improve the quality of their support
- Efforts to improve the quality of education, or to provide viable alternatives, will be critical for further development of human capital
- Initiatives to increase/support women's entrepreneurial activity could help address the disparity in labour force participation
- While tech entrepreneurship is increasing, agriculture remains central to the economy. Supporting innovation and entrepreneurial activity in this sector could be beneficial

Our research uncovered 21 support providers that delivered some type of impact entrepreneurship support. We received applications from seven of these. Nearly all are headquartered in Yangon, the capital city, but around half are local offices of global networks/organisations.

Myanmar

Population: 52,885,000

GDP: USD \$63.23bn

Of the programs that applied to Frontier Incubators:

- Two are for-profit, four are hybrids, and one is not-for-profit
- Four have been operating for two years or less, and the remaining three programs for four, six and seven years respectively

The top challenges cited in their applications were:

- Investor relations (86%)
- Networks partnerships (43%)
- Recruiting mentors (43%)
- Understanding and addressing gaps in enterprises (43%)

Interestingly, business model sustainability was not cited as a key challenge, as it was with most other countries.

Applicant feedback

As with most other countries (and the region more broadly), access to capital was the main challenge cited by applicants in Myanmar. Twice as many organisations commented on this, than on any other concern.

However, similar to Pakistan, investor education (or a lack thereof) was one of the key contributing factors, in the view of applicants. There is a sense that local investors don't understand how to work with startups.

As one applicant noted:

"Local investors have a hard time understanding investment practices that are internationally normal."

Outside of investors, there is also a lack of financing options, as banks in Myanmar are not set up to support entrepreneurs either. This is common across the Asia-Pacific region.

Some of the applicants mentioned new legislation on joint ventures, which is due to be implemented shortly. This should make matters easier for investors, however in their view government policy is not friendly to either entrepreneurs or incubators.

Another commonly cited issue, in both Myanmar and across the Asia-Pacific, was the focus on capital cities. As one applicant noted:

"The second-tier regional cities could especially benefit from programs such as ours... As it currently stands, few small enterprises can survive without a move to the main city of Yangon."

Of the organisations identified during our research, 12 are capacity builders (incubators/ accelerators etc.), two are funders, one is a coworking space, and the others are not-for-profits, academic institutions, and/or traditional business consultants (more or less).

Philippines

Population: 103,320,000

GDP: USD \$304.89bn

Aside from developing strategic roadmaps and funding for events, the Philippines government has reportedly contributed little support to local entrepreneurs or to the development of the country's ecosystem (according to engagement sources). The lack of government involvement has driven independent efforts, such as a business registry platform that potential investors can browse.

The Philippines has made great progress in recent years in delivering inclusive growth, which is evidenced by the declining rates of poverty and inequality. However, while unemployment has decreased, underemployment remains a challenge and has been around 20% for a decade. At the same time, mean wages have remained largely stagnant.

Policy and regulatory issues are also problematic. It is difficult to start and dissolve a company in the country, and it has one of the highest tax and contribution rates in the region at 43%. According to Tech in Asia, while neighbouring countries have seen growth in VC activity, the Philippines has seen a significant drop of around 77% in 2015-16.

There is a substantial middle class with an appetite for risk, unlike many of its neighbours which suffer from high unemployment. Many local entrepreneurs work outside startups initially, building their skills in established companies. This shows a willingness to transition from steady employment into entrepreneurship.

While internet penetration is increasing, the Philippines is reputed to have one of the slowest connection speeds in the Asia-Pacific region. In terms of gender equity in entrepreneurship, the country rates among the highest in the Asia-Pacific, with 1.3 women founders to every man, despite ranking poorly in the women's economic opportunity index.

Highlights

- Internet penetration is somewhere between 55 and 63%, yet poor connection speeds limit the productivity gains
- Philippines scores highly on the human capital index at #63, which is second-highest in the region, behind Thailand
- The fear of failure rate is low at 36%, indicating a healthy level of entrepreneurial confidence
- The country rates poorly in the GCI, largely held back by low scores in policy and regulation, infrastructure, and market connectivity

Recommendations

- Increased government involvement, namely to develop better infrastructure, and to create more conducive policy and regulatory conditions, could be beneficial
- Building the capacity of support providers could help improve market access and generate more investment-ready enterprises
- Investment incentives could also greatly assist in attracting foreign investment back into the country

Our research uncovered 19 support providers that delivered entrepreneurial support programs focused on impact. We received applications from two of these. Close to half are headquartered outside of Manila, the capital city, but around half are local offices of global networks/organisations. Only three offer some type of investment.

Thailand

Population: 68,863,000

GDP: USD \$411.75bn

Thailand's entrepreneurial ecosystem ranks highest in the Asia-Pacific, with strong support and conducive conditions. The country ranks 26th globally for ease of doing business. Ongoing policy and regulatory reforms continue to drive economic and entrepreneurial growth. In 2017, the government invested USD \$570m to create a venture fund that would finance some 2,500 startups, with the aim of raising the number of startups in the country to 10,000 in two years. This funding aimed to compensate for the lack of active venture capital (VC), as local investors tended to focus only on early-stage enterprises. This investment has helped to attract private investment and increase private sector involvement in the ecosystem, notably by telecommunications providers.

One of the key challenges now being faced is a lack of appetite, rather than the more commonly faced issue of a lack of talent. This is due to young professionals reportedly pursuing employment within established companies, rather than becoming entrepreneurs or joining startups.

Global connectivity increases market access for local enterprises seeking to grow, and with good infrastructure and growing income it is also an attractive market for global players. While local competitors may offer the same service, they are being 'muscle out' by more competitive prices and other competitive advantages of multinationals. In addition, while the country is well connected globally, it is also nationalistic, and entrepreneurs often focus solely on domestic markets.

Highlights

- In spite of the strength of the economy and recent regulatory reforms, policy and government instability remains an enduring issue for local and foreign enterprises
- Internet penetration is at 67% and smartphone rates are similar, which represents a substantial growth of around 21% since 2016

- Funding raised for startups in 2017 totalled USD \$105.55m, excluding Initial Coin Offering (ICO) raises
- Fear of failure rate is at 52% (for those aged 16-64), which is 15 percentage points higher than the global average and 12 percentage points higher than the regional average. To some extent, this can explain the lack of appetite for entrepreneurship
- In an assessment of total early-stage entrepreneurial activity, Thailand achieved an almost one-to-one ratio between genders of founders
- Globally, Thailand ranks around 40 in the human capital indexes, with the closest regional competitor being the Philippines, which ranks 50

Recommendations

- Ongoing policy reform, particularly in service of stability, would be valuable
- Efforts to change the attitudes of the young professionals will be critical. For example, tax concessions and other incentives for entrepreneurial activities can increase the allure of entering the ecosystem. Although, facilitated exchange programs (from established companies to startups) and increased university activity, could also contribute
- Programs have an overwhelming focus on Bangkok, the capital city, so efforts to build more activity in rural areas and smaller cities would be impactful

Our research uncovered 33 operating support providers that delivered some type of impact entrepreneurship support. We received applications from two of these. Almost all are headquartered in Bangkok. At least eight are local offices of global networks/organisations and around six offer some type of investment.

Timor-Leste

Population: 1,268,000

GDP: USD \$2.52bn

Timor-Leste is one of the world's youngest countries, having become a sovereign state in 2002. The country unsurprisingly, given its tumultuous and short history, scores very poorly on all conditions for a healthy entrepreneurial ecosystem. It is the third most challenging country to start a business globally, behind Botswana and Malta.

While there are only four processes that comprise registration and the average time to start a business is just nine days, entrepreneurs must deposit 260% of their average annual income in a bank (or with a notary) before registration can be completed. In spite of this, there are reportedly 4.6 businesses per 1000 people. Although, many of these likely belong to the 'informal sector', yet reports were unclear on this.

Oil and coffee exports represent the bulk of the country's economy (57% and 22% respectively), with Starbucks being the largest consumer of the latter. Most of the population (around 60%), relies on subsistence agriculture. Years of unrest have devastated local infrastructure, including telecommunications, and have severely damaged the appetite for foreign investment. Economic growth has slowed down to 5% in 2016 from 14% in 2008.

On the other hand, low tax rates and running costs, coupled with proximity to Australia, have created a limited number of niche market opportunities.

Highlights

- Internet penetration is at 31% and smartphone rates are around the same
- Low taxes (around 11%), low living costs (less than 1% of income), low competition, and proximity to Australia are all indicators of potential
- Human capital is low, given the low literacy rate of 68% and dysfunction in the education system

Recommendations

- Support for local entrepreneurs to generate creative solutions to local problems, for example in agriculture, will be valuable
- Facilitating the expansion of 'ag-tech' into the country, or supporting the development of more innovative and impactful agricultural business models, would also be valuable
- Efforts to increase the focus on technological readiness in education may help young entrepreneurs to find opportunities in e-commerce
- As the World Bank states in its partnership agreement with the local government: *"Increasing the productivity and effectiveness of government spending, and ensuring the natural environment is preserved as an important economic and social resource for future generations..."* will be critical to achieving sustained development
- Supporting dialogue with similar countries who have developed more entrepreneurial activity, would likely facilitate exposure and indirect capacity building
- Increasing local procurement from aid programs and/or foreign companies may also be an effective mechanism for driving entrepreneurship

Our research uncovered seven support providers that delivered some type of impact entrepreneurship support. We received applications from only one of these. With the exception of one provider based in Oecusse, the remaining six are based in Dili, the capital city. All but one of these are local offices of global networks/organisations, and even this organisation is run by foreigners.

Viet Nam (Vietnam)

Population: 94,569,000

GDP: USD \$205.28bn

In recent years, the Vietnamese government has undertaken significant reform to support the development of the entrepreneurial ecosystem. This includes government-approved programs that provide training, mentorship, business incubation/acceleration, financial assistance, and tax concessions. This is reflected in the most recent 'Ease of Doing Business' report which placed Vietnam at 68, the second highest in the region, after Thailand.

As with many countries in the region, corruption is cited as a key challenge and local attitudes towards corruption are noted as a deterrent for foreign investors. Additionally, limits on foreign-ownership also inhibit flows of capital, and regulation is reportedly less of an issue for companies that are majority locally-owned. As commercial banks only lend to large, established companies, access to finance is an ongoing challenge.

Entrepreneurial activity is increasing rapidly, with one report claiming a 14% growth in the number of startups in the first quarter of 2017. Less barriers to entry and the population's rising income have produced favourable conditions for entrepreneurs to thrive. This is complemented by a highly effective education system, with strong universities and research institutions.

According to a senior engineer at Google, many high school students in Vietnam could pass the company's notorious coding test. Ho Chi Minh City University of Science is rated third in the world for coding, ahead of UC Berkeley and Waterloo. Combined with the fact that the number of ICT and electronics graduates has more than doubled since 2006, this suggests a bright future for Vietnam's tech-startup ecosystem.

Local actors are quick to point out the differences between the North and South of the country. Southerners are regarded as progressive, while Northerners reportedly place emphasis on political connections and are more bureaucratic and risk-averse.

Highlights

- Internet penetration is at 52% with a 7.4% annual growth rate since 2012. Together with growing incomes, this is driving the growth of online marketplaces
- According to the GCI report, three key challenges are access to funding, an inadequately educated workforce, and corruption. This suggests that while education might be improving, this is limited to particular areas such as ICT
- Vietnam receives around USD \$2.9bn in ODA annually, making it the fourth highest recipient globally

Recommendations

- Establishment of alternative finance models, such as (P2P) lending, is already underway and therefore supporting these efforts could be valuable. Some local startups are accepting Ethereum-based investments
- Building the capacity of support providers would help to generate more investment-ready enterprises
- Increasing access to early- and growth-stage finance would be impactful. In light of restrictions on foreign-ownership, this will require a concerted effort to move away from equity. Although, given this is the dominant form of investment capital for startups, this will likely be an enduring barrier

Viet Nam (Vietnam)

Population: 94,569,000

GDP: USD \$205.28bn

Our research uncovered 46 support providers that delivered some type of impact entrepreneurship support. We received applications from 11 of these. While most support providers are headquartered in either Hanoi or Ho Chi Minh City, there are headquarters in four other cities. At least nine are local offices of global networks/ organisations and around a dozen offer some type of investment.

Of the programs that applied to Frontier Incubators:

- One is for-profit, six are hybrids, and four are not-for-profit
- Four have been operating for two years or less, six have been operating for up to five years, and the remaining one has been around for over a decade

The top challenges cited in the applications were:

- Business model viability/sustainability (73%)
- Investor relations (64%)
- Recruiting and retaining employees (55%)

Applicant feedback

Vietnam has a very high literacy rate (94.5%) and accounts for nearly half of Southeast Asia's college and university students in the United States. According to the Institute of International Education, in 2016, Vietnam sent 21,403 students to the United States, which was more than Indonesia, the Philippines, and Thailand combined. In the field of entrepreneurship, this may be because local courses focus on more traditional business models, and do not yet address the needs of entrepreneurs and startups.

As one applicant noted:

"The study of entrepreneurship is still not widely included in education programs, as well as critical skills needed to startup, leading to startups' incompetence in starting phases."

Rather than a lack of investors, concerns around investment centred on the unwillingness of investors to look at early-stage deals. Another applicant noted a

"...lack of professional investors who support startups ... [and] get involved directly [in] their business."

However, applicant comments altogether suggests there are investors active in the country and that Vietnam's ecosystem is more mature (at least in terms of access to capital) than many of its neighbours. But incubators and challenges appear to represent the bulk of the entrepreneurial support, and as one applicant put it, they foster competition for prizes but contribute little else.

Another commonly cited challenge in the applications was recruiting mentors, and again the issue was not quantity, but quality. As one applicant noted, Vietnam lacks successful social entrepreneurs (that can be role models or mentors), while four other organisations all acknowledged that there isn't yet a culture of mentoring. Employee retention was also a challenge commonly referenced in applicant feedback. This issue appears to be unique to Vietnam.

Of the 46 organisations identified during our research, 42 are headquartered in Vietnam (21 in Hanoi and 16 in Ho Chi Minh City). Furthermore, 28 are capacity builders, 13 are funders, and four are coworking spaces offering some support.

Pacific Islands

Regional Overview

The Pacific Islands are remote, sparsely populated, and generally difficult for doing business. The highest ranking country for ease of business is Samoa (#87) and the lowest ranking is Kiribati (#157), however for many countries the data was insufficient. Policy and regulation (where information is available) is generally not conducive, although this appears to be changing with Samoa, Tonga, and Vanuatu leading reform.

Across the region, market access is cited as the key challenge, yet in the categories of human capital and culture all countries also score very low. Support systems are growing, but the barriers to enterprise growth remain numerous and large.

In spite of the barriers, the informal sector across the region is strong and driven largely by women entrepreneurs. It accounts for more than 50% of employment across the region and makes a significant contribution to the GDP of most countries. In fact, across the Asia-Pacific, the informal sector accounts for around 68% of employment.

Initiatives such as the ILO-funded Start & Improve Your Business (SIYB) is just one effort to transition informal entrepreneurship into formal business activity. This initiative has local partners in Fiji, Kiribati, PNG, Samoa, Solomon Islands, and Vanuatu, that receive support to deliver entrepreneurship training.

The ADB, World Bank, DFAT, the New Zealand Government Ministry of Foreign Affairs and Trade (MFAT), Oxfam, and others, have also run pilot programs that are specifically targeted at women entrepreneurs. While these programs can make important contributions, they rarely translate into sustainable support systems/providers (for this reason they aren't listed), and gender equity remains a major issue.

The Women's Economic Opportunity Index (WEOI) ranks the Pacific countries among the worst globally. The highest ranked country is Fiji (#81 of 128), while the Solomon Islands and PNG are both in the bottom five.

Irrespective of the quality and quantity of support programs and the availability of providers, there are common issues across the region that will also hinder the development of healthy entrepreneurial ecosystems. These include ineffective governance, weak legal frameworks, small populations, inadequate infrastructure, and poor levels of social inclusion.

Pacific Islands

Regional Overview

Human capital outflow is high, particularly among youth, as they do not see local opportunities. Remittances play an important role for many. This challenge is of particular relevance to the Cook Islands, Marshall Islands, Niue, Nauru, Kiribati, Tuvalu, and Tokelau.

Across the region there is a strong correlation between the availability of natural resources and the level of infrastructure. In this regard, larger countries (like PNG, Solomon Islands, and Fiji) benefit, while the smaller countries struggle. Nauru, which benefited from large phosphate reserves, was an exception to this until the reserves were exhausted.

The inability to enforce contracts, also appears to be a deterrent for potential investors. However, this does not hold true for large import/export companies, distributors (e.g. FMCG), or the mining industry.

Inequity and the mistreatment of women are pervasive issues across the Pacific. The severity of this issue is reflected in the UN agenda specifically for women in the region.

The region is also highly vulnerable to the impacts of climate change, with natural disasters regularly disrupting transport and damaging infrastructure.

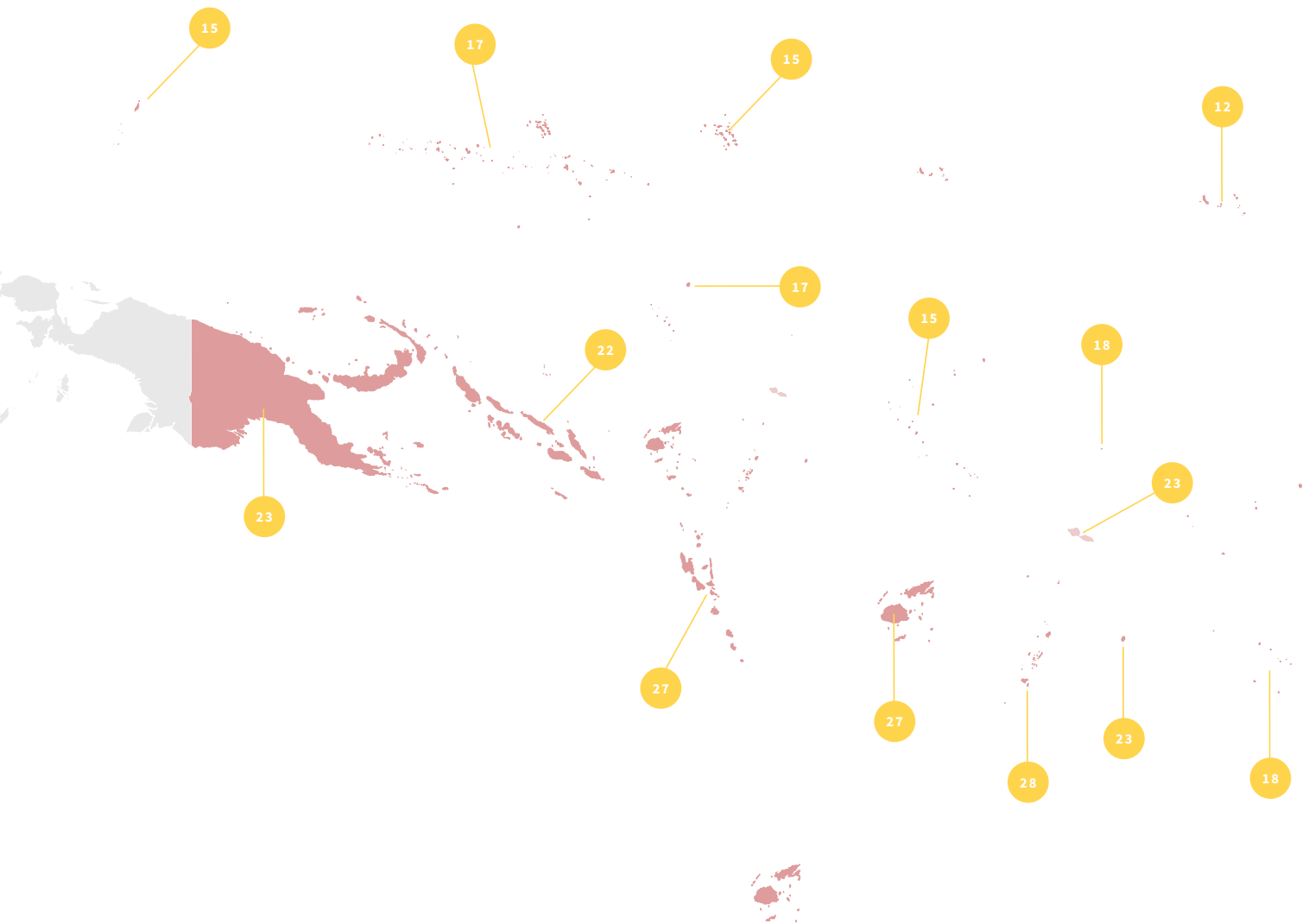
Groups such as Pacific Trade and Invest (PTI), Business Link Pacific, the Pacific Islands Private Sector Organisation (PIPSO), NGOs with long histories in the region (e.g. Oxfam, World Vision, and Save the Children), local chambers of commerce and business associations, and programs such as DFAT's Pacific Readiness for Investment in Social Enterprise (PacRISE), are all playing critical roles in supporting enterprise development, albeit through different mechanisms.

Pacific Islands

Regional Overview

COUNTRY	BALANCED SCORE	SUPPORT PROVIDERS	HIGHLIGHTS
Cook Islands	18	4	<ul style="list-style-type: none"> Extremely nascent ecosystem There is some potential with high literacy, strong tourism, and low tax rates
Fiji	27	12	<ul style="list-style-type: none"> Nascent ecosystem Well positioned to serve as a hub for the region, however corruption remains an enduring issue
Kiribati	12	2	<ul style="list-style-type: none"> Extremely nascent ecosystem Significant barriers and limited potential
Marshall Islands	15	1	<ul style="list-style-type: none"> Extremely nascent ecosystem Government is backing efforts to make the country a cryptocurrency hub
Micronesia (FSM)	17	5	<ul style="list-style-type: none"> Extremely nascent ecosystem Significant barriers and limited potential
Nauru	17	-	<ul style="list-style-type: none"> Extremely nascent ecosystem Significant barriers and limited potential
Niue	23	2	<ul style="list-style-type: none"> Extremely nascent ecosystem Significant barriers and limited potential
Palau	15	1	<ul style="list-style-type: none"> Extremely nascent ecosystem Significant barriers and limited potential
Papua New Guinea (PNG)	23	19	<ul style="list-style-type: none"> Nascent ecosystem in spite of significant efforts Recent efforts to support youth and tech entrepreneurship seem to be gaining traction
Samoa	32	6	<ul style="list-style-type: none"> Very nascent ecosystem Significant barriers, although potential exists largely due to education systems and ease of doing business
Solomon Islands	22	6	<ul style="list-style-type: none"> Very nascent ecosystem Significant barriers remain, yet entrepreneurial activity and programming are increasing
Tokelau	18	-	<ul style="list-style-type: none"> Extremely nascent ecosystem Enormous barriers and limited potential, although monetisation of domain name generates some revenue and could offer other opportunities
Tonga	28	5	<ul style="list-style-type: none"> Nascent ecosystem Growing government efforts to support youth entrepreneurship and increasing involvement from telecommunications companies
Tuvalu	15	-	<ul style="list-style-type: none"> Extremely nascent ecosystem Enormous barriers and limited potential, although similar to Tokelau, the monetisation of domain name generates some revenue and could offer other opportunities Connectivity is a challenge
Vanuatu	27	5	<ul style="list-style-type: none"> Very nascent ecosystem Efforts to support youth entrepreneurship appear to be gaining traction

Regional Overview



0 - 29	30 - 49	50 - 69	70 - 89	90+	N/A
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Country Analysis

Cook Islands

Population: 17,000

GDP: USD \$311m

As a self-governing country in free association with New Zealand, citizens of the Cook Islands also possess New Zealand citizenship. The country is very isolated from its closest foreign markets, New Zealand and Australia, and the economy is heavily reliant on foreign aid.

The country's population is only 17,400, and the domestic market is very limited. Inadequate infrastructure and a lack of natural resources make it an unattractive market for investors. Tourism makes up around 67.5% of GDP. Other industries include clothing, handicrafts, fisheries, and fruit processing, however there is very limited scope for expansion of these.

If the government succeeds in growing tourism, the potential for SMEs will increase. Groups such as the Government funded Business Trade Investment Board (BITB) are responsible for the development, promotion, and facilitation of private sector initiatives, as well as connecting local businesses with foreign investment partners.

Highlights

- 65.5% internet penetration rate
- Literacy rate is high (95%)
- 25% of the population works in agriculture
- Company tax is low (20% for locals and 28% for foreigners)
- In recent years, the Cook Islands has gained a reputation as a haven for 'debtors', through the enactment of legislation that permits them to shield their property from the claims of creditors

Our research uncovered four support providers that delivered some type of entrepreneurial support. We received an application from one of these.

Fiji

Population: 912,000

GDP: USD \$4.8bn

Fiji is rapidly becoming a services hub for the region. Growth in the economy has attracted foreign companies to invest in Fiji, while government activity has assured investors. Natural resource management, tourism, and foreign investment have made Fiji one of the most developed and connected Pacific Island countries. While bribery and corruption remain concerning, the recent creation of the Fiji Independent Commission Against Corruption (FICAC) investigative body is viewed as a promising step in the right direction.

Fiji has fairly well-developed infrastructure, with a reasonably comprehensive system of bridges and highways. 80% of Fiji's electricity comes from hydroelectric generation and 20% comes from imported coal and gas.

The deregulation and privatisation of telecommunications has opened the market to foreign companies and sparked increases in internet and mobile penetration. Fiji has shown substantial growth in the ICT sector, which is supported by its geography, service culture, pro-business policies, and English-speaking population.

Although foreign aid is still significant, private sector investment approached 20% of GDP in 2017, compared to 13% in 2013.

Much of the land in Fiji is collectively owned and controlled by tribal chiefs, who reportedly derive most of the economic benefit. Frustration with this came to a head around a decade ago, and much of the small Fijian-Indian community left the country.

Highlights

- Starting a business is costly (16.9% of annual income), and weak legal frameworks remain an issue. However, the government has expressed intentions to progressively lower the tax rates for companies
- Many Fijians do not attend secondary school due to lack of income, yet households with education below the secondary level are also at greater risk of poverty. Recent estimates show that 31% of the population are under the poverty line
- In 2014, the government announced universal free access to primary and secondary education for all children, with the aim to lower the rate of school dropouts
- Internet penetration rate is low (55%)

Our research uncovered 11 support providers delivering some type of entrepreneurial support. We received applications from only one of these, however at least four are local offices of either global or regional bodies, or of aid programs.

Kiribati

Population: 110,000

GDP: USD \$599m

Kiribati is considered one of the least developed countries in the world. Public works account for the majority of economic activity in Kiribati. Ongoing infrastructure projects include road rehabilitation, water and sanitation projects, and renovations to the international airport, all of which spur some growth.

Public debt increased from 23% of GDP at the end of 2015 to 25.8% in 2016. Economic development (and in turn, entrepreneurial activity) is constrained by low human capital, weak infrastructure, and poor market access.

Kiribati is dependent on foreign aid, and in 2016 it was estimated to have contributed over 32.7% of the government's finances. The country has few natural resources. Copra and fish represent the bulk of production and exports, while fishing licenses, remittances, and tourism also account for a significant proportion of national income.

Highlights

- Kiribati ranked the lowest for ease of doing business out of the eligible Pacific countries (save for the 5 countries with no data). This is largely due to the high cost of starting a business (40% of annual income), the cost of electricity, and the country's poor credit ranking.
- Internet penetration is the third lowest in the region (27%)
- Around 50% of the population depend on subsistence farming

The only efforts to support entrepreneurs in the country appear to be led by PIPSO.

Marshall Islands

Population: 53,000

GDP: USD \$115m

The Marshall Islands is under a Compact of Free Association (COFA) with the United States, and uses the dollar as its currency. The agreement establishes and governs the relationships of free association between the United States and the three Pacific Island nations of the Marshall Islands, the Federated States of Micronesia, and Palau. As part of the agreement, the United States provides the Marshall Islands with around \$70 million each year in assistance and run a military base on the Kwajalein Atoll.

Subsistence farming is the dominant livelihood in the country. Any agricultural production is concentrated on coconuts and breadfruit. Industry is limited to handicrafts, tuna, and copra processing. Tourism holds some potential, although it seems yet to be capitalised on. The islands and atolls have few natural resources and imports far exceed exports.

In 2018, the country became the first in the world to recognize a cryptocurrency as legal tender when it passed a law to create the digital Sovereign, or SOV. The Marshall Islands is hoping to raise at least USD \$30m in a shared cryptocurrency venture with an Israel-based start-up, with the aim of covering debts and boosting the economy. Apart from this effort, there is nothing to demonstrate the government's commitment to building an ecosystem for entrepreneurship.

The country relies on the two tertiary institutions on the island. One is a university campus under University of South Pacific (USP) and the other is a community college. The College of the Marshall Islands (CMI) is a regionally accredited, autonomous community college that offers associate degree programs in liberal arts and sciences, business and information technology, elementary education, and nursing.

Of the population, 41% are employed in the private sector and 31% in the public sector, with self-employment amounting to 25%. Around 66% of men are employed, compared to just one in three women. Substantial differences also exist in wages earned by men and women with similar qualifications, in comparable roles.

Despite traditionally being a matrilineal society, where women held strong influence in the community, the erosion of customary land tenure means that women no longer have autonomy over land. The island is also concerned with domestic abuse and violence against women, with 22% of women reporting experiencing physical violence.

Highlights

- Despite a relatively large urbanised population (73%), compared to other countries in the Pacific Islands, the internet penetration rate is very low (40%)
- Although there is no legislative barrier to women accessing financial services, there is reported discrimination obstructing women from obtaining credit and impacting their economic independence

The only efforts to support entrepreneurs in the country appear to be led by PIPSO.

Micronesia (FSM)

Note - the Federated States of Micronesia (FSM) includes Nauru, Palau, Kiribati, North Mariana Islands, and Guam. For this analysis we have provided an overview of the Federation, as well as the countries where possible.

Geographically and economically similar to Marshall Islands, economic activity in the Federated States of Micronesia (FSM) consists largely of subsistence farming, fishing, and government, which employs two-thirds of the adult working population. The country is also in a compact of free association and receives significant financial assistance, as part of the agreement. The islands have few commercially valuable mineral deposits. The potential for tourism is also limited by isolation, lack of adequate facilities, and limited internal air and water transportation.

Residents of FSM can freely move to and work in the United States. Remittances from family based in the United States represent the primary source of income, followed by government jobs, and shops and restaurants as third. There is one accredited college with campuses in each of the four states, however students often travel to Guam for higher education.

In 2018, the government responded in collaboration with the Secretariat of the Pacific Community (SPC) and FSM States Women's Council to the issue of gender inequality. Together, they have run workshops aimed at developing projects to improve the livelihoods of women and their families in ways that also support environmental sustainability, however the outcomes of these are unclear.

FSM is a small, isolated island nation with poor infrastructure. The tourism industry is growing and within this are some opportunities for entrepreneurship, however there is limited scope for an ecosystem to develop.

Highlights

- Cost of starting a business is high (161% of annual income) and there is also a high tax rate (60%) on company profit
- There is a lack of protection for minority investors and enforcing contracts presents an enduring issue, demonstrating the country's poor rates for ease of doing business
- The urbanised population is 67%, although internet penetration is low at 53%
- Heavy reliance on foreign assistance and imports

Our research uncovered five organisations that delivered some type of entrepreneurial support. Two were local offices of global networks/organisations.

We received one application, from a local organisation. (This does not include Nauru, Palau or Kiribati support, for which we have included separately in the country-level analysis.)

Nauru

Population: 13,000

GDP: USD \$160m

There are few comprehensive statistics on the Nauru economy and estimates of GDP vary widely. Historically, the country derived large income from its phosphate reserves, but in recent years these have been exhausted.

Presently, the rehabilitation of mined land and the replacement of income from phosphates pose serious challenges. In anticipation of the exhaustion of Nauru's phosphate deposits, substantial amounts of income were invested in trust funds to help cushion the transition and provide for Nauru's economic future.

Revenue sources for the government are limited, however the opening of the Australian Regional Processing Centre for asylum seekers in 2012 sparked growth in the economy. Revenue derived from fishing licenses has also boosted government income.

The tax system continues to be a major deterrent for foreign investment. In July 2017, the Organisation for Economic Co-operation and Development (OECD) upgraded its rating of Nauru's standards of tax transparency, although previously Nauru had been listed alongside fourteen other countries that had failed to show they could comply with international tax transparency standards and regulations. Subsequently, Nauru went through a 'fast-track' compliance process and was given a 'largely compliant' rating.

As with most Pacific Island countries, a small economy, tiny population, and isolation make entrepreneurship difficult. However, evidence of entrepreneurial activity has been increasing in recent years, particularly among women working in fashion and jewellery. Perceptions of the 'appropriate' roles for women pose an obstacle to economic participation. This is reflected in the 30% difference between genders in labour force participation rates.

Highlights

- The vast majority of the population reside in urban areas and the internet penetration rate is relatively high at 54%
- While most students go overseas (mainly to Australia and New Zealand) for tertiary education, the University of the South Pacific (USP) has a Nauru campus

There is no evidence of ongoing efforts to support entrepreneurs in the country, apart from regional programs run by groups like PTI and PIPSO.

The Enterprise Resource Centre, which is backed by UNDP and Australian Aid, has supplied loans and support, however this appears to have ceased.

Niue

Population: 1,600

GDP: USD \$10m

The population of Niue has been in steep decline over the last decade. It peaked at around 5000 in the 60's and 70's, though is currently around 1600. The main reason for this is relocation to New Zealand, as the country is in free association so movement is free and easy.

As such, the problems facing Niue are not just economic, but also cultural. If the population continues to decline, the country's culture and traditions are at risk of being lost, or relegated to historical records.

Highlights

- The country's inhabitants have access to free wifi, so even though only 45% of the population are in urban areas, there is a 92% internet penetration rate
- Common issues related to small market size and the limited opportunities that this provides are even more pronounced
- Government efforts to boost tourism aim to make it a self-sufficient economy

The only efforts to support entrepreneurs in the country appear to come from regional programs, like those run by PTI and PIPSO, and from initiatives such as the Digital Pacific (run from Fiji).

Palau

Population: 21,500

GDP: USD \$321m

Relative to the region, incomes in the Republic of Palau are high. Tourism has increased thanks largely to its proximity to Guam, the major destination for tourists from East Asia. However, it has recently run afoul of China, a major source of tourism and investment, due to maintaining diplomatic ties with Taiwan. Reportedly, this resulted in China outlawing the promotion of Palau as a travel destination to any of its citizens. In July 2018, the national carrier closed down due to the ensuing decline in airline customers and business.

The impact on the country's economy will likely be significant.

There is potential for entrepreneurship to develop, although policy and regulation are not conducive. In addition, while there is personal wealth and buying power, a lack of human capital also poses a challenge. However, there is evidence of market opportunities and entrepreneurial activity in real estate, transport and tourism.

Palau uses the US dollar as legal tender. Consequently, financial regulators are likely to follow steps of their US counterparts with regards to regulation of the digital economy. This may also present opportunities.

Highlights

- Lengthy compliance processing, high electricity and taxation costs, and a lack of protection for minority investors, all make doing business and attracting investment difficult
- For a largely urban population (88%), there is a low internet penetration rate (36%)

While there was some evidence of a local start-up community on social media, their activity was unclear. The only other efforts to support entrepreneurs in the country are led by PIPSO.

Papua New Guinea (PNG)

Population: 8,085,000

GDP: USD \$29.48bn

Natural resource exports account for the bulk of PNG's economy, but in recent years the Government has initiated efforts to diversify the economy. In 2017, PNG launched a national trade policy aimed at increasing exports, reducing imports, and increasing foreign investment.

There is evidence of growing entrepreneurial activity and support, although policies, regulatory issues, and security concerns, continue to pose a challenge.

In 2017, in a joint statement with several other Pacific Island countries, the PNG government expressed commitment to promote youth entrepreneurship. The policy proposals included:

- Incentivising young entrepreneurs through tax concessions and simplified and flexible business registration procedures;
- Expanding financial services including loan and grant schemes, investment schemes and guarantee schemes;
- Improving internet and telephone connectivity with greater coverage in urban and rural areas;
- Promoting entrepreneurial thinking from an early age through education and training;
- Delivering employment programmes such as internships, mentoring services, career guidance and apprenticeships.

This initiative is a collaboration with the UNDP. However, it is unclear what the next steps of this initiative will involve.

Highlights

- Evidence of entrepreneurial activity in e-commerce, hospitality, mining, and real estate
- Only 13% of the population live in urbanised areas and internet penetration is very low at 11%
- Adult literacy rates are low at around 60%, for both men and women

Our research uncovered 19 support providers that delivered some type of entrepreneurial support, and only three appeared to be local offices of global networks/ organisations. We received three applications from the country.

Samoa

Population: 195,800

GDP: USD \$1bn

In 2014, Samoa graduated from the World Bank's least developed country list. Agriculture and fishing account for around 90% of exports. Fish, coconut oil, nonu products, and taro account for the bulk of these exports. Local industry accounts for nearly 22% of GDP yet employs less than 6% of the workforce, while the service sector accounts for nearly two-thirds of GDP and employs around 50% of the workforce. Tourism is expanding, currently accounting for 25% of GDP.

The government is leading a number of efforts to boost the economy including deregulation of the country's financial sector, encouragement of investment and fiscal discipline, and protection of the environment.

Like much of the region, the country is highly vulnerable to natural disasters, and the human and economic cost of these can be significant. This is cited as a risk that deters investors.

Highlights

- Samoa is the highest ranked country in the Pacific Islands for ease of doing business
- Costs for starting a business have come down significantly, although securing credit and trading internationally remain difficult due to high administrative costs
- Samoa has two universities and five colleges, and the national university now has a faculty for business and entrepreneurship
- While only 19% of the population live in urban areas, the internet penetration rate is high at 51%

Our research uncovered six support providers that delivered some type of entrepreneurial support, and only two appeared to be local offices of global networks/organisations. We received two applications from the country.

Solomon Islands

Population: 599,400

GDP: USD \$840m

Given the country's recent history of violence and economic collapse, the Solomon Islands has come a long way in a short time, with the support of the Regional Assistance Mission (RAMSI).

There is evidence of foreign investment slowly increasing, as well as modest economic growth. Entrepreneurial activity and 'formal' business is also increasing, with 94% of SMEs having an account at a formal financial institution and 44% having an outstanding loan or line of credit.

Our research uncovered six support providers that delivered some type of entrepreneurial support, and only one was a local office of a foreign organisation. We did not receive any applications from the Solomon Islands.

While the ADB, World Bank, and other NGOs and multilaterals have run pilot programs focused on Youth and Women Entrepreneurs, none appear to offer ongoing support.

Highlights

- Poor ease of doing business ranking due to cost of starting a business (29% of annual income), cost of electricity, time to register property and quality of land administration, poor protection of minority investors and enforcement of contracts, as well as difficulty of accessing credit
- Tertiary education is mainly provided by the Solomon Islands College of Higher Education (SICHE) and through a partnership with the University of the South Pacific (USP)
- There is evidence that USP and the government are offering support to a small, yet growing, community of entrepreneurs
- The urban population is 23%, with an annual growth rate of 3.91%, yet internet penetration is low at 12%

Tonga

Population: 100,600

GDP: USD \$763m

While the government is actively attempting to develop the private sector and encourage investment, as well as committing funds for health care and education, the country remains heavily dependent on foreign aid and remittances.

While human capital is limited, renewable energy and deep-sea mining reportedly offer opportunities for foreign investment. The country's infrastructure and social services are also well developed. In addition, growing tourism and a large Tongan diaspora (living primarily in the United States, Australia and New Zealand) may create a number of market opportunities for local entrepreneurs.

Highlights

- Tonga ranks well for 'ease of doing business' and is second in the region
- There is entrepreneurial activity and increasing support. The non-profit organisation, Tonga Youth Employment and Entrepreneurship was recently established to run incubation programs and a local NGO has partnered with banks and telecommunications companies to support women entrepreneurs
- Financial inclusion is comparable to the rest of the Pacific region, with only 41% of Tongan adults having a bank account
- Remittances are an important source of income for many Tongan adults and 70% reported receiving remittances in the last year
- The urban population is 62% and internet penetrations rate is 46%

Our research uncovered five support providers that delivered some type of entrepreneurial support. We received an application from one of these.

Tokelau

Population: 1,500

GDP: USD \$10m

Whether Tokelau, which consists of three atolls, is a self-governing country or a dependent territory of New Zealand is a point of contention. If considered a country, it is the smallest economy in the world. Almost 1% of the population leaves Tokelau annually.

The country has little industry and even fishing is in decline due to depleted stocks. It is, however, the world's only 100% solar-powered country. It also accounts for the largest number of domain names in the world, dwarfing even China.

This is because the country decided, with the support of a Dutch entrepreneur, to monetise its unique domain (.tk) and funds from this now account for over 20% of its annual revenue.

The only efforts to support entrepreneurs in the country appear to come from regional programs, like those run by UNDP, PTI and PIPSO.

Tuvalu

Population: 10,600

GDP: USD \$39m

At first glance, a burgeoning tech sector seems to account for almost 10% of the Tuvaluan GDP, although proceeds from ownership rights of the domain name .tv account for most of this.

The country is small and isolated, with a population size of around 11,000, and internet is only accessible through costly satellites connections. The regulatory system is based on the laws of the United Kingdom, which provides a more conducive environment for entrepreneurs compared to neighbouring countries. However, with limited connectivity and a very small local market, entrepreneurship will likely struggle.

The only efforts to support entrepreneurs in the country appear to come from regional programs, such as those run by PTI and PIPSO.

Vanuatu

Population: 270,400

GDP: USD \$723m

The Vanuatu economy is based primarily on agriculture, which provides a living for around two-thirds of the population. Fishing, offshore financial services, and tourism, are other mainstays of the economy. Reliance on a small number of commodity exports, vulnerability to natural disasters, and isolation, all pose challenges for any entrepreneurial activity and further economic development.

In response to foreign concerns, the government has promised to tighten regulation of its offshore financial centre, although this sector will continue to present opportunities to local entrepreneurs. The relatively high cost of running a business, poor internet, and the lack of early-stage funding have all been cited as issues hindering enterprise growth.

The government also recently launched a national strategy for financial inclusion, with the aims of supporting the growth of Small-to-Medium Enterprises (SMEs) and Micro-, Small- and Medium- Enterprises (MSMEs) via transition services (from 'informal' to 'formal'), as well as improving access to credit.

Highlights

- Challenges include the high cost of starting a business (44% of annual income), weak protection of minority investors, and bureaucratic issues hindering trade
- According to the 2016 Global Youth Index, Vanuatu was ranked 112 out of 170 countries with respect to youth development and engagement in tackling development challenges
- Vanuatu Young Entrepreneurs Council (VYEC) was recently established to create awareness, offer training to young entrepreneurs, and to provide financial support. VYEC is supported by the ILO and the Vanuatu Chamber of Commerce and Industry (VCCI), and is one of only two youth entrepreneurship councils in the region
- Only 27% of the population live in urban areas, and internet penetration is at 30%

Regional Summary

of the Pacific Islands

Of the 9 (eligible) applicants from the Pacific:

- One is for-profit, four are hybrids, and four are not-for-profit.
- Three of the organisations are government affiliated entities that have been operating for more than 20 years, yet they are new to incubation/acceleration. Of the remaining applicants, one has been operating for four years, and the remainder for less than two.

The top challenges cited in their applications were:

- Business model viability sustainability (67%)
- Networks Partnerships (56%)

However, in addition to these issues, 'Getting products/ services to market', 'Sector expertise', 'Investor relations', 'Recruiting mentors', and 'Understanding and addressing gaps in enterprises', also rate highly (44%). This attests to how difficult it is to run a program in the region.

Applicant feedback

The key challenge cited in applications was building investor and mentor networks. While the desire for larger investor networks is common across the Asia-Pacific region, the Pacific applicants cite an equally strong need for credible mentors. One applicant has resorted to internationally 'cold-calling' for business expertise, and over half of the applicants specifically mentioned the lack of qualified business mentors available to them.

While a few applicants specifically noted the lack of an ecosystem (any coherent or coordinated network of support providers), many of the respondents noted that what resources did exist were 'siloe'd', with organisations not talking to or even aware of each other.

As one applicant put it:

"There are a number of programmes in place that provide technical support for the various sectors, but overall there is a lack of formal coordination of these efforts to create maximum impact on the economy."

Furthermore, there was concern about the lack of information for entrepreneurs:

"There is no structure in place whereby, an [entrepreneur] can easily access market information such as financial products, MSME grants available, how to set up a business, market linkages information and many more."

Additional challenges cited also included access to markets (i.e. poor infrastructure and isolated geography hampering growth potential), highly variable weather (and frequency of natural disasters), seasonal employment, and reliable internet access.

We found 43 organisations supporting entrepreneurs in the region. 22 are capacity builders, six are funders, and one is a coworking space. The vast majority are either local government organisations or local offices of global networks/organisations (namely NGOs or charities).

Recommendations

for the Pacific Islands


Due to commonalities across countries in the region, as well as a lack of reliable data, a series of regional recommendations are provided:

- Investment into education systems and training programs will be key to building human capital and increasing workforce participation
- Efforts to increase gender equality and women's economic participation could deliver significant social and economic benefits
- Creating an entrepreneur and investor framework for regional dialogue would be beneficial, so that the challenges unique to the region can be discussed
- There are common issues in policy and regulation across the region that, if addressed, would help to increase foreign investment (at least in some countries, for others more innovative efforts will be necessary)
- More consistent support, rather than short-term programs, may be valuable
- Partnership trade agreements between Pacific Island countries are a means to cooperate towards collective benefit
- There are opportunities to leverage growing or established sectors in order to increase entrepreneurship via mechanisms such as procurement, asset management, and direct support/funding

- Tourism will continue to account for much of the income in many countries and much of this industry is focused on the natural environment. Therefore, environmental care and conservation will be critical
- Market access will continue to be an issue, especially given the scale of the logistical challenge. However, improving internet connectivity may be a more simple way to generate growth
- Resources in local languages on business models that work in the region may help entrepreneurs recognise opportunities in their local markets

Regardless of the country and the objective, given the history of programming in the Pacific, there are great assets that can and should be worked from and with.

Hence, we would advise building from the learning of past efforts to support enterprise development (of which there are many), on existing programs (e.g. PacRISE, Youth Co:Lab, and the Market Development Facilities [MDF]), and with existing players (e.g. chambers of commerce, regional networks).



Incubators and Accelerators in the Region



Introduction

This section of the report contains an analysis of the incubators and accelerators in the Asia-Pacific region that have some impact (or social enterprise) focus in their programming.

In some cases, this is as simple as a discernible link to the SDGs, while in others it is explicit. It is important to acknowledge that, in many of these markets, any enterprise activity that generates local employment will deliver some positive impact. Therefore, almost any active incubator/accelerator in the region can make a legitimate claim to being impactful. To address this, we have focused on evidence presented in the language used on their websites.

In addition to the complexity around defining impact, there are also numerous active SME business support programs across the Asia-Pacific, as well as many efforts to support the formalisation of business activity. While these efforts bear many similarities to incubator/accelerator programs, there are also important differences such as the focus on intensive, cohort-based programming, and the emphasis on product, service, or business model innovation.

For the purposes of this analysis, we have focused on incubators and accelerators that have an explicit impact focus in their programming, yet also have an inclusive definition of the type of programming that qualifies. The rationale for this was that the intent of the program, as reflected in the presence of an impact focus, is of more relevance to this analysis than program structure.

A range of sources were drawn on to support the development of this section of the report:

- Applications to the Frontier Incubators program, which included details about individual organisations and programs, as well as unique perspectives about their ecosystems
- Remote engagement of local actors and in-country field work conducted
- Collated secondary research and web searches
- Personal experience and networks of the consortium

In light of the number of applications received, as well as the validation they offered for information found in other sources, we suggest that the applicants, and in particular their organisations and the challenges they face, are representative of their ecosystems.

This section forms a 'bridge' between the macro-level analysis of regional ecosystems and the micro-level analysis of applicants to the program. It complements the categorical analysis of attributes and dynamics by offering a meso-level analysis of who is active, what they are doing, where they are working, and how they are managing (i.e. what their perceptions are of strengths and weaknesses, and of the challenges being faced). Lastly, this is a summary and analysis only.

Please note that this list is not exhaustive and is the product of an initial synthesis rather than a comprehensive analysis.

Summary of Findings

We identified 492 organisations that are providing some type of support to impact businesses and social enterprises/entrepreneurs across the Asia-Pacific. 254 operate in the Southeast and East Asia, 166 in South and West Asia, and 76 in the Pacific Islands. Of these, 431 are headquartered in the region.

271 of these organisations are ‘capacity builders’ or providers of some type of non-financial assistance, generally in the form of a structured training program (i.e. incubator/accelerator). Of the remaining, 97 are investors/funders, and 56 are coworking spaces. The other 111 were harder to categorise and included local advocacy groups, associations, Development Finance Institution (DFI) initiatives, and consultancies.

The distribution of these organisations aligns well with our assessments of the regional ecosystems. Indonesia, Thailand, and Vietnam ranked highest amongst eligible countries in Southeast and East Asia; Pakistan and Bangladesh in South and West Asia; and Fiji, Papua New Guinea, and Samoa in the Pacific Islands. Interestingly, the distribution of applications to the Frontier Incubators program (which is indicative of the total number of support providers in that country) also correlated with size of population in the countries. Although, there were some exceptions as the Philippines, Thailand, and Sri Lanka, all had significantly fewer applicants per capita than other countries with comparable population size.

Unsurprisingly, the more mature an ecosystem is, the more support providers are active there. Additionally, the number of investors also correlated with the number of capacity builders. The extent to which these two actors create demand and build markets, rather than simply responding to demand, is a question that warrants further examination. (Note - Research has been conducted on this, although most of it is limited to developed markets and very mature ecosystems).

The main challenge faced by capacity builders and support providers across the region is access to capital, both for the organisation and the enterprises they support. Access to capital was the highest ranked and most commonly cited issue, followed by financial sustainability.

The next major challenge faced is the lack of connectivity and cohesion in and among regional ecosystems. A lack of communication and coordination between local actors (specifically a lack of strategic convening), and limited connectivity to global markets (and a lack of efforts to address this) were cited as the main contributing factors. The third major challenge cited was the lack of an entrepreneurial culture, as well as the stigma that exists in some countries around its pursuit. Interestingly, all of these issues can be seen as both ‘cause and effect’ of an underdeveloped ecosystem.

Securing applications was the lowest ranked issue, indicating that demand for support programs is strong across the Asia-Pacific and that the supply is struggling to meet the demand. The high number of applications received by programs in South and West Asia (nearly three times the number of those received in Southeast and East Asia) suggests that this issue is even more pronounced in this region.

Interestingly, most programs source their cohorts through a range of approaches including applications, pitches, and referrals. While applications represented the main sourcing method (55%), pitches (36%) and referrals (30%) were also significant.

Summary of Findings

Analysis of gender balance in teams and program cohorts found that:

- There are more female employees in the teams of capacity builders in Southeast and East Asia (59%) and the Pacific (73%). In South and West Asia they are largely male (61%)
- Programs in Southeast and East Asia had, on average, almost double the number of female cohort participants, suggesting participation of women entrepreneurs is significantly stronger in this region. Although, this data was likely skewed by applications from a number of organisations whose programs target only women
- Participation of women in the Pacific was also strong, yet given the smaller number of applicants, we are less confident that this data is representative

In addition to being largely female, the vast majority (92%) of employees are local to the country they work in. In this, the Pacific was the exception with teams being composed of around 20% foreign employees, 17% of which were female.

Recruiting and retaining employees ranked around the middle among challenges faced, but is a much more significant issue in South and West Asia than elsewhere. Vietnam and Thailand were the exceptions, with major challenges in retaining and recruiting respectively.

Analysis of the types of support provided and the structure of programs found that:

- The majority deliver structured, cohort-based programming (or intend to, in the case of those who are yet to begin)
- Most programs focus on founder(s), the broader team and company, rather than just on the founder(s) or leadership
- Nearly 70% offer mentoring/coaching that extends beyond the structured program, offering alumni/ graduates some form of ongoing support
- Programs in Southeast and East Asia appear to be more focused on particular stages of enterprise maturity, while those in South and West Asia accept a larger range. This suggests programs in the former can be more discerning, and/or they have learned the value of focusing on a particular stage

Recruiting and retaining mentors was a significant issue across the Asia-Pacific. However, similar to investor relations and the commonly cited challenge of partnerships, this issue is connected to the stability of the team and therefore, the viability of the business model. Mentor and investor networks and strategic partnerships are all built from and maintained by personal relationships. High team turnover, which is often a product of lacking remuneration, affects these.

Thankfully, nearly all of the issues faced by capacity builders appear to diminish over time. Those with more mature/established programs struggle less with investor relations and viability (though both remain significant challenges), and much less with securing applications and mentors. However, employee retention and understanding gaps in enterprises were issues that seemed to increase with age.

Summary of Findings

Analysis of the business models, revenue streams and financial structures found that:

- Some type of 'hybrid' corporate form is the most common model, followed by non-profit and for-profit, with newer programs nearly twice as likely to be established as for-profit companies
- Grants are a key source of revenue for most capacity builders, and the main source for around 75% of applicants, across the region. It is important to note, that this is true even for the majority of those working in developed markets like Europe and the United States
- Fee-for-service consulting and program participation fees are also key sources of revenue, though remain secondary to grants, and around 50% of programs rely on these
- Equity sales (liquidity) are a source of revenue for only a small number of programs, and less than a quarter of those active in the region

Lastly, there are some archetypes of capacity builders that began to emerge from our research, engagement, and analysis. With some additional effort (and potentially integration with a similar project being undertaken by Triple Jump) these could be developed into something more valuable. The archetypes identified were:

- Groups of experienced 'ecosystem builders' (i.e. past employees of investors, funds, capacity building or advocacy groups, or government departments), that have strong partnerships and the contextual knowledge required to make a program relevant and effective, but often lack required resources. Sometimes, these efforts are backed by an investor or fund, like in the case of Kinara, in Indonesia, who were established by Patamar
- Groups comprised of aspiring entrepreneurs who have secured some public or private backing to run programs and have replicated the models of incubation/acceleration programs in mature ecosystems like Silicon Valley, Singapore and Hong Kong, with little consideration of how these meet (or do not meet) local needs. These groups are often backed by large companies that use the program as a pipeline for acquisitions
- Organisations that run informal business support programs or SME consultancies that only provide mentorship or one-on-one support services, yet are seeking to do more cohort-based incubation/acceleration. Often, these rely on one or two key members within the organisation, and often with limited experience
- Groups affiliated with, or even 'housed' in, global development organisations such as INGOs like Family Health International 360 (FHI360) or initiatives such as Australian Volunteers International (AVI), which are looking to establish incubation/acceleration programs. These teams and programs are often constrained and/or shaped by the bureaucracies from which they operate and are staffed by largely foreign employees
- Universities, colleges, chambers of commerce, or business councils that are seeking to build on existing entrepreneurial programming. While often well connected, these programs are also shaped by the historical role of the organisation, and therefore can be overly academic or too narrow and commercial
- Global development consultancies, generally working in strategy, program design, or monitoring and evaluation, that see incubation/acceleration as a service that complements their existing work

In the following section we examine the challenges facing capacity builders within each of the sub-regions that comprise the Asia-Pacific, drawing heavily on their assessments of cited issues.

Challenges Faced in South and West Asia

Access to Capital

A desire for access to more investment was common across the region. Pakistani and Nepali organisations were concerned about the lack of early-stage investment, while in Bangladesh it appeared that growth-stage capital was a bigger issue. The critical role of capacity builders in the education of early-stage investors was also cited, but appeared to be less prevalent.

As one Pakistani organisation summarised:

“We need to see small ticket size early grant programs and medium ticket pre-seed investment opportunities available to impact startups at competitive valuations. Currently there is a dearth of this and not enough stakeholders that understand impact investment or consider it to be a viable avenue for private investment and personal wealth management.”

Ecosystem Dynamics

The concerns here echoed those in Southeast and East Asia. Key challenges included ‘silos’ (lacking connectivity and coordination between local actors), difficulty connecting to global markets and creating a culture of entrepreneurship. All of the organisations that mentioned the ‘siloeing’ (i.e. incubators/accelerators not working with, or even knowing about, each other) were from Pakistan. Whereas applicants from Bhutan and Nepal were more concerned about the enduring stigma attached to entrepreneurship.

Government (Policy, Regulation and Infrastructure)

Concerns about ‘red tape’ came mainly from Nepal and Pakistan. Organisations in Nepal and Bhutan were particularly interested in creating a new legal structure to support social enterprise development, as non-profits receive tax incentives yet cannot generate revenue. On the other hand, reports from Afghanistan mentioned that basic infrastructure and security still presented major challenges.

Technical Ability

Applicants from Nepal and Pakistan were particularly concerned about the maturity and technical abilities of the employees in the enterprises they support.

As one Pakistani organisation noted:

“Professional maturity of co-founders has been attributed as a significant hurdle in growth of the startups. According to a survey, two thirds of the founders had less than five years of experience which results in limited exposure to the business world and skills required to navigate through it. What has also been witnessed, is teams lacking required multidisciplinary backgrounds. Birds of the same feather are flocking together with skewed skill sets. Not being able to cross networks in the ecosystem is one major drawback to scout relevant talent.”

Unlike Southeast and East Asia, few organisations were concerned about their ability to attract quality employees to deliver their programs.

Mentors

While recruiting and retaining quality mentors was a cited issue, it appeared to be considerably more of a challenge in Pakistan than any other country.

Challenges Faced in Southeast and East Asia

Access to Capital

While this issue is common across the region, specific gaps vary. In Cambodia, Indonesia, and Vietnam there are investors for growth-stage companies, yet not for startups/early-stage enterprises. In Indonesia, Laos, and Myanmar the desire was expressed for better market information, while in Myanmar capacity building organisations and support providers talked about having to educate potential investors.

Ecosystem Dynamics

The key challenges are enduring ‘silos’ (lacking connectivity and coordination between local actors), difficulty connecting to global markets, and creating a culture of entrepreneurship.

As one organisation noted:

“...the key challenge for the Thai ecosystem is that it is still scattered and [there are a] lack of conveners who play a strategic role in connecting each stakeholder to work together efficiently.”

This comment mirrored those made by others across Southeast and East Asia.

The lack of coordination impacts the effectiveness and appropriateness of support. Organisations in Cambodia, Myanmar, and Vietnam were concerned about the lack of support beyond the ‘idea’ stage.

Mentors

Applicants from every country in the region sought more, and more appropriate, mentors for their entrepreneurs.

As one organisation noted, there are too few who have *“...the skills and the time and willingness to develop people.”*

Government (Policy and Regulation)

In addition to strong concerns about ‘red tape’, namely from reports in Laos, Mongolia, and Myanmar, there was a general desire expressed for policies that acknowledged the different requirements and forms for startups and social enterprises.

In Cambodia, *“recent taxation changes stripped trading NGOs of taxation benefits, leaving many exposed as they create impact.”*

Even when new policies have been enacted, communication about them has also been lacking, *“information regarding the 2017 venture capital regulation, which has not been officially regulated, needs to be more widespread.”*

Technical Ability

The need for higher quality technical training for entrepreneurs was a commonly cited issue.

This was summarised by an organisation in Cambodia:

“We see entrepreneurs who have a strong understanding of the issue they want to solve, but they lack the business know-how to turn these solutions into sustainable, replicable models. Too often, we see impactful business ideas ending with a pitch at a competition. They are not developed into ventures which could create both economic and social value. Ideas rarely develop beyond their initial stage due to a poor understanding of vital business skills: business strategy and planning, customer research, marketing, accounting, financial planning, governance, operations, HR etc...”

Challenges Faced in Southeast and East Asia

Culture

The prevalence and persistence of cultural norms was also a commonly cited issue, but was also referred to as a valuable asset; a source of motivation, inspiration, direction, and support.

Community orientation and values might encourage young entrepreneurs to pursue more social or environmental business ideas, but the related perceptions of communal ownership can represent a significant challenge for entrepreneurs when taking investment, recruiting, or trying to grow a business.

From the applicants, issues cited ranged from the “...dominance of the seniors or elders in a group, who wanted to speak or to be heard more than other participants”, to the more pernicious exclusion of women from leadership roles and general participation.

Urbanisation

Almost all of the applicants were from the capital (and/or largest) city in each country. Vietnam had two centres of activity, the two major cities in the North and South. However, Indonesia alone showed a focus on rural entrepreneurship, with around 30% of organisations identified working outside Jakarta and nearly 50% of applicants.

Comments from across the region echoed one made by an organisation in Myanmar:

“As it currently stands, few small enterprises can survive without a move to the main city.”

Academia

Applicants from Indonesia, Myanmar, and Vietnam expressed a desire for better connections between social impact companies and universities.

As one Indonesia-based organisation noted,

“We’re lacking research-based initiatives and most of the students’ academic research only stayed in the documentation papers without being further developed into a real application. We want to increase the research-based and evidence-based solution to be accelerated for commercial applications and purposes to be used in an enterprise.”

Note - Due to the lack of reliable and specific information on capacity builders in the Pacific, given how few there are, we relied largely on the views shared by applicants to the Frontier Incubators program. The insights found are captured in the Regional Summary in the section above.

With the extensive experience of programs in the region, such as DFAT’s PacRISE and the Market Development Facilities (MDFs), we believe that an exercise to explore the potential of local capacity builders could be hugely valuable. In particular, incubation/acceleration programs with a focus on learning from existing and past precedents.



Recommendations for the Program



Recommendations for the Program

Given the scope of the Frontier Incubators program, these recommendations are limited to who might be supported (cohort selection) and how this support may be most effectively delivered (program structure).

Cohort Selection

Applicants to the program range enormously. There are experienced teams of ecosystem builders setting up new programs and investors doing the same. There are also established and mature operations seeking to scale their programming and to focus on setting up funds, as well as a range of NGOs, chambers of commerce, and SME consultants, all seeking to build on and adapt their existing enterprise support efforts.

We advise that a range of factors be considered during cohort selection. These include scoring and feedback from experienced evaluators, objectives, priorities of the DFAT aid program, gender, and the ecosystem assessments conducted. Given that the program can help address issues with programming, the strength of the team should be a focal point.

The following guide provides one high-level approach to incorporating the ecosystem assessments into this process:

Mature Ecosystems

(25+ incubator and accelerators)

For mature ecosystems, consider supporting expanding, high impact programs. In addition, backing efforts such as the establishment of angel investor networks, catalytic funds, and other initiatives focused on innovative finance would also have high value as early-to-growth-stage finance needs are critical in most of these countries. Also consider programs that operate or deliver programming outside of major cities, as existing support is often inaccessible.

Emerging Ecosystems

(15-24 incubators and accelerators)

For emerging ecosystems, consider supporting programs that have some traction, for example have run some cohorts, although there will often only be a few credible players. In these ecosystems, the focus on impact in programming may be weaker, as efforts are still focused on simply generating interest in entrepreneurship and on establishing basic support systems, so concessions may be needed to account for this. Ecosystem builders are critical in the early stages of ecosystem emergence/development.

Identifying and backing these organisations will have a lasting impact, well beyond that of the programming they deliver. Lastly, early-stage finance needs will be critical, however the potential will likely be limited due to endogenous factors. As such, efforts to explore alternative growth pathways beyond investment will be key.

Nascent Ecosystems

(-15 incubators and accelerators)

For nascent ecosystems, consider backing the most established and credible players, yet also support the development of peer networks among capacity builders. The challenges faced in these ecosystems are generally numerous, large and unique, and as such, the sharing of knowledge and assets between similar players could be hugely beneficial.

The scope of the challenges, often stemming from geographic, historical, economic and other contexts, mean that different types of capital, enterprises (i.e. business models) and growth, will likely be required if an ecosystem is to develop. Efforts to support this will be critical, as capacity builders cannot address these through programming alone.

Recommendations for the Program

Program Structure

We believe that different types of engagement or ‘tracks’, that align with the stages of program/organisational maturity, may be the best approach. Below are descriptions of the three stages, with guidance on how the program structure might be adapted to meet their needs and capacity.

Starting - *‘We have been supporting innovators, entrepreneurs and enterprises, but not in classes or cohorts. We are now setting up an incubator or accelerator.’*

Organisations in this category may benefit most from a staged program. This would firstly focus on supporting them to build partnerships and foundational capacities remotely, then potentially increase to provide intensive training or tailored mentoring, if they start to get decent traction. These organisations are unlikely to be a good fit for the workshop, so we recommend starting with remote mentoring and support. This is in order to build capacity and partnerships, before doing a performance based assessment to determine the relevance of intensive training after three months.

Emerging - *‘We have run a small number of classes or cohorts and want to develop and strengthen our program.’*

Organisations in this category would benefit most from the intensive training programs, typically offered by groups who support incubators/accelerators, as it was for this stage of development that these programs were designed.

These organisations would be a great fit for the workshop, as they would benefit from exposure to partners and peers, as well as from the content, thus we recommend that they attend. This could then be followed by an intensive training program with additional remote mentoring and support as required.

Expanding - *‘We have an established program, and want to expand to run more and/or larger classes or cohorts, grow into new regions, or cover new issues.’*

Organisations in this category could be thought of as too mature for our program. Although, many are poised to scale their operations and impact, and this could be hugely valuable for them. In addition, building these relationships would likely be a good investment for future programs like Frontier Brokers and the Emerging Markets Impact Investment Fund (EMIIF). As such, offering tailored mentoring and support could be a great investment.

These applicants could also be a great addition for the workshop. They would both benefit from content, partners and peers, and would also provide as great role models and mentors. In some cases, we may need to reframe how we describe them in communications. This is due to the competition with partners in their markets and being publicly seen as recipients of support could be detrimental, however we believe this is manageable. We recommend that they attend the workshop and be considered for mentoring and support following.

The total program budget could account for between 10-15 organisations at each stage to be supported, though the level, structure and length of support that each would receive, would vary.

Sources and References

A range of sources and reference materials were used in the preparation of this report. These ranged from annual publications and open-data platforms created by multilaterals, to detailed assessments of/reports on specific initiatives or countries.

This was supplemented by the subjective views of ecosystems shared by applicants, and primary research interviews or engagement.

Below is a summary of the main sources and references:

Key Publications

- Doing Business Report, World Bank (2018)
- Enterprise Surveys, World Bank (2018)
- GEI [Global Entrepreneurship Index], Global Entrepreneurship and Development Institute [GEDI] (2018)
- Global Competitiveness Index [GCI], World Economic Forum (2017-18)

Open Data Platforms

All population and gross domestic product (GDP) data was sourced from the World Bank open data platform. Most of it dated back to 2016. All economic forecasting came from the ADB open data platform. These were accessed between May and August 2018.

Primary Sources

Our approach to designing and delivering programs like Frontier Incubators involves extensive engagement of local actors. This includes interviews, facilitated sessions, and ongoing dialogue via email and social media. These can develop into formal engagements (e.g. the Frontier Innovators Advisory Group), or remain as personal and informal relationships. In both cases, they contribute enormously to our understanding.

In this case, we drew on these engagements and the rich information supplied by applicants to the program to support our assessments and analysis.



