

Southeast Asia Going Digital: Connecting SMEs

The digital transformation opens a range of opportunities for small and medium-sized enterprises (SMEs) that are vital players in Southeast Asia (SEA). It enables them to engage in product and service innovation, improve their market intelligence, ease their access to talent, facilitate access to financing, and ultimately enhance their competitiveness in local and global markets. An essential element in enabling SMEs to “go digital” is connectivity. The OECD report *Southeast Asia Going Digital: Connecting SMEs* examines the state of connectivity in SEA (i.e. access to high-quality communication networks and services at affordable prices). In addition, it explores the opportunities related to the access and use of digital tools by SMEs, and identifies good practices to foster an enabling environment for the digital transformation in SEA (Figure 1). Most importantly, this report is designed to share best practices in the region that can help harness broadband-based services for increased productivity and social welfare and, ultimately, contribute to regional integration.

Key policy recommendations

- Strengthen the institutional and regulatory frameworks for connectivity to foster competition in both fixed and mobile broadband markets, and extend access to affordable and high-quality communication services.
- Increase the effective use of digital services by SMEs by fostering digital skills for people and firms, and by harnessing the potential of digital government to promote relevant digital content.
- Promote digital start-ups and young firms with the support they need at each stage of their life cycle.
- Promote an inclusive digital transformation by addressing digital divides (e.g. gender, rural/urban), and by preparing SME employees for a rapidly changing work environment.
- Foster e-commerce by removing barriers and by harmonising national regulatory frameworks in the SEA.
- Leverage regional integration, regional connectivity infrastructures, cross-border data flows and sharing of experiences in the SEA region.
- Establish and effectively implement a strategic and coherent policy framework for the digital transformation of SMEs by co-ordinating stakeholders dealing with both SME and digital policy issues.

Figure 1. The Going Digital Integrated Framework for SMEs in SEA



What are the key challenges to the digital transformation of SMEs identified in the report?

- From the supply-side point of view, a key challenge is connectivity. Despite advances in recent years in SEA, particularly on mobile services, there are still persistent connectivity gaps among and within countries in the region, as well as digital divides by firm size (Figure 2).
- From the demand-side point of view, some policy frameworks may inhibit innovation in digital services, and thus constrain the realisation of the digital transformation of SMEs in SEA. These include policies to foster adoption of digital tools, financial services (including online payment systems) and e-commerce.

Figure 2. Firms using e-mail to interact with clients/suppliers in SEA (2015 and 2016)



Notes: Lao PDR = Lao People's Democratic Republic. Singapore is not part of the World Bank Group's Enterprise Surveys. Indonesia, Malaysia, the Philippines and Viet Nam data are from 2015; Cambodia, Lao People's Democratic Republic, Myanmar and Thailand data are from 2016.

Source: World Bank (2019), Enterprise Surveys (database), www.enterprisesurveys.org/.

The call for policy action in the report stems from the intersection of two historically separate policy areas: digital economy policy and SME policy. This report bridges the gap between these policy areas, and provides recommendations on how to tailor SME policy for the digital transformation with a two-fold approach: 1) promoting digital start-ups and firms; and 2) ensuring that traditional firms and SMEs can reap the benefits of digital tools and services.

OECD's work on digital economy policy issues

The report was developed by the Organisation for Economic Co-operation and Development (OECD), working with countries and stakeholders in the region. It is a contribution to the Canada-OECD Project for ASEAN SMEs (COPAS), which strives to develop competitive, resilient and innovative SMEs in Association of Southeast Asian Nations (ASEAN) countries that can contribute to sustainable and inclusive development in the region. It also builds on the efforts around the multidisciplinary and horizontal OECD project Going Digital.

The OECD has extensive experience in policy analysis for the digital economy, as evident by some 200 policy reports and 20 telecommunication policy and country reviews in the past two decades. In the context of regional efforts for broadband development, the OECD published in 2016 *Broadband Policies for Latin America and the Caribbean: A Digital Economy Toolkit*, followed by the 2017 edition of the flagship publication *OECD Digital Economy Outlook* and, more recently in 2019, by the report *Going Digital: Shaping Policies, Improving Lives*.

Further reading

OECD (2019), Southeast Asia Going Digital: Connecting SMEs, OECD, Paris, <http://oe.cd/sea-smes>, www.oecd.org/southeast-asia; www.oecd.org/sti/ieconomy; and www.oecd.org/sti/broadband

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