REQUEST FOR INFORMATION

RFI number: 72048621RFI00002
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Response due date: August 7, 2021 at 10:00 am (Bangkok local time) (As Amended)

The United States Agency for International Development, Regional Development Mission for Asia (USAID/RDMA) is in the process of gathering information to support anticipated activity design for the Regional Inclusive Digital Economy Activity.

This **request for information (RFI)** intends to offer the opportunity for interested individuals and organizations to provide recommendations on approaches to develop inclusive digital ecosystems in Southeast Asia. In responding to this RFI, significant emphasis should be placed on regional level issues to achieve inclusive digital economies.

USAID is seeking responses to the questions of this RFI outlined below, USAID is **not** seeking technical or cost applications / proposals at this time. Responses to this RFI are voluntary. Respondents are free to address any or all of the below items, as well as provide additional information that they think is relevant to inclusive digital ecosystems. USAID will not pay respondents for any information provided in response to this RFI. Any future solicitations of funding opportunities related to an inclusive digital ecosystems activity will be announced on the Federal Business Opportunities website at www.sam.gov or at www.grants.gov at a later date.

Please note that issuance of this RFI does not constitute an award commitment on the part of the U.S. Government, nor does it commit the Government to pay for any costs incurred in the preparation of comments.

Thank you for your assistance and interest in USAID programs.

Sincerely,

/s/

Craig A. Smith
Regional Contracting / Agreement Officer
USAID/RDMA, Bangkok, Thailand

1. BACKGROUND

Southeast Asia (SEA) has become one of the most dynamic digital markets in the world. By 2020, the region had approximately 430 million internet users, reaching 65% of the population (Google, Temasek, Bain & Company, 2020). Myanmar, the Philippines, Vietnam and Indonesia alone added 111 million users between 2015 and 2019 following the liberalization of the telecom market in Myanmar and investments in broadband across these countries (World Bank, 2020). Increased access to the internet in the region has been almost entirely through mobile broadband. Between 2012 and 2017, mobile broadband had a compound annual growth of 40.8%, growing from 12% of the population to 84.9% in SEA.

The digital economy represents a big opportunity for Southeast Asia. Kearney estimates that the digital economy in ASEAN could add up to $1 trillion in GDP in the next 10 years (Kearney, 2020). The Covid-19 pandemic has rapidly increased the demand for digital services, and therefore today, more than ever, they are considered crucial for the economic recovery. The use of digital technologies and platforms allows citizens to more easily connect with others and access information and services. It enables companies to become more efficient, innovative and to access new and bigger markets through e-commerce. Some of these benefits have started to emerge, as SEA becomes a dynamic center for digital innovation. Multiple home-grown companies, particularly in Singapore, Indonesia, Malaysia, and the Philippines, have developed a variety of services that are transforming the transportation, tourism, financial, healthcare and agriculture sectors, among others.

However, to date, the benefits of the digital economy have not been entirely realized in the region and, importantly, these benefits have not been inclusive. Citizens and firms often lack awareness and skills to fully take advantage of the digital economy, and ICT policies and regulation across the region remain nascent and disjointed. This not only limits the capacity of the region to realize its digital potential, it has also increased cyber risks, which could further hinder trust and resilience of the digital economy.

Despite the rapid increase in broadband connectivity across the region, digital divides remain. There are significant differences between high-income countries and low-income (e.g., in Singapore 89% of individuals used the internet in 2019, compared to 25% in Lao PDR) (World Bank, 2020). There are also disparities in terms of the level of inclusivity of the digital economies within countries. In 2019, 70% of households in urban areas in Asia and the Pacific had access to the internet, compared to 37% in rural areas (ITU, 2020). Women also use the internet less (41% of women use the internet) than men (48%) in Asia Pacific (ITU, 2020). According to UNCDF's Inclusive Digital Economies Scorecard (IDES), which measures the level of inclusion of the digital economy, in Myanmar only 53% of people in traditionally marginalized

communities (i.e., rural, women, youth, elderly, refugees, migrants, disabled, MSME owners) fully participate in the digital economy, while in Malaysia the percentage reaches 72%.

There are also remaining gaps in digital and physical infrastructure to enable a thriving digital economy. With the continued rollout of 5G, Internet of Things (IoT), cloud computing and e-commerce, the region will require increased investments in fixed broadband, local Internet Exchange Point (IXPs) and data centers to sustain the increasing demand on and changes to its broadband. In 2017, average fixed broadband penetration in SEA was 5.2% compared to 30% in OECD countries, and quality services remain unavailable for most people in SEA. In 2018, the region had a total of 23 local IXPs, which resulted in most internet traffic leaving the region, slowing internet speeds. According to a study conducted by Korea's National Information Society Agency (NIA), there are large variations in the transmission speeds and delay time experienced in SEA, and outside the main cities, internet speeds will limit the capacity of firms to take advantage of technologies such as artificial intelligence, big data, blockchain, e-commerce and others (OECD, 2019). Additional investments in physical infrastructure and logistics will also be required to continue fueling the rise of e-commerce.

There are few policies and regional frameworks in place to support a strong and inclusive digital economy. Few countries in the region have sound digital policies around cybersecurity, data privacy, data flows and storage, and cross border payments. In particular, data privacy policy frameworks will be essential to protect citizen's personal data, increase consumer trust, and enable data flows at the national and international level. To date, only Singapore, Malaysia and Thailand (enacted in 2018, but not adopted yet) have data privacy frameworks in place, and Vietnam is currently drafting privacy regulations. These laws are all different from each other and have varying levels of stringency on and definitions of data privacy. Similarly, only Singapore, Malaysia, Thailand and the Philippines have their own cybersecurity policies, and Cambodia has a draft cyber law (Kearney, 2020). At the regional level, ASEAN and APEC have data privacy and cybersecurity frameworks in place, however, few countries in the region have adopted these standards. The absence of unifying privacy and cybersecurity frameworks and standards makes regional efforts largely voluntary. There is also little collaboration and information sharing across the region, making any cross-boundaries issues hard to address. Moreover, there are no regional bodies that can enforce privacy or cybersecurity policies (GSMA, 2018; Kearney, 2020).

People and firms in the region still lack awareness and trust in digital technologies. Many individuals in the region understand the internet to be the same as a few applications such as Facebook and messaging apps (e.g., WhatsApp, Line, Viber). While e-commerce and social commerce grew rapidly in SEA in 2020 (e.g., The e-commerce sector in SEA reached $62 billion in 2020, increasing by 63% from 2019 and average consumption per consumer increased by 19%, Google, Temasek and Bain & Company, 2021), this was driven mostly by necessity due to the Covid-19 pandemic. Many consumers and MSMEs still lack skills and trust to develop an

inclusive and thriving e-commerce sector. For example, individuals buying items online often prefer to pay once the items have arrived to be able to verify the quality of the product. People are particularly suspicious of sharing their financial and credit card information online out of fear of online scams, but there is little awareness about basic online hygiene and security practices. In addition, individuals in some countries, like Thailand and the Philippines, are concerned about their private conversations and personal information ending up in the wrong hands (Rakuten Insight, 2017). While a majority of SMEs in the region use basic tools like email, social media, and messaging apps, most are still unaware of other potential benefits of digital tools to grow their businesses, such as analytics and cloud computing, and of methods to protect against cyber threats (OECD, 2019).

Additionally, people and firms have limited digital skills, constraining their capacity to take full advantage of the digital economy. A study by Bain & Company (2018), estimated that only 16% of firms in SEA are truly digitized. According to a survey conducted by the Economic Research Institute for ASEAN and East Asia (ERIA) (2018), 56% of firms in SEA were at a basic level of adoption of digital tools (e.g., Microsoft Office, email, Whatsapp, personal computers, mobile phones) and there is a large gap between small and large firms. According to the World Bank Enterprise Survey, in 2016, 45% of small firms in SEA used email, compared to 86% of large firms. While basic digital skills (e.g., email, Microsoft Office, social media) are relatively easy to find in the region, more advanced skills are rare. For example, beneficiaries of USAID's Digital Asia Accelerator in Cambodia mentioned that once they understand how to create an account in social media or in an e-commerce platform, they have difficulty promoting their products because they don't have staff with skills that know how to appropriately market their products (e.g., take pictures / videos, write copy for social media). As a result, few firms (34%) in the region have reached an intermediate level of digitization (e.g., had a website, social media, e-commerce), and only 10% of firms surveyed in SEA were at an advanced level of digital tools (i.e., CRM, analytics, big data, automation, etc.) (ERIA, 2018).

In this context, the Regional Inclusive Digital Economy Activity would seek to **develop a regional platform to support the development of a thriving and inclusive digital economy in Southeast Asia.**

Specifically, the new digital activity *is considering* focusing on the following five strategic objectives:

1. **Improving the digital policy environment at a regional level.** Policies that protect citizens' rights and privacy, strengthen cybersecurity, and promote trade and innovation will be the centerpiece for a thriving and inclusive digital economy in SEA. This will require collaboration with regional bodies, the private sector, citizens and governments to develop, advocate for, and implement policies that promote open, inclusive, and secure digital ecosystems.

2. **Augmenting the quality and quantity of shared and interoperable regional digital infrastructure.** High quality digital infrastructure, including mobile and fixed broadband, interoperable payment systems, local IXPs and data centers, and shared regional interoperable infrastructure (where possible) are the foundation of a thriving and inclusive digital economy that enables the use of technologies including AI, cloud computing, e-commerce and IoT at a large scale.

3. **Improving the safety, availability, and suitability of e-commerce services for consumers and MSMEs.** Across the region, both consumers and MSMEs are turning to e-commerce as both a source of resilience or growth. With a spike in demand due to the COVID-19 pandemic, this underscores the importance of addressing risks (e.g., consumer protection, counterfeit goods, data protection, inadequate cross-border payments) that might impair trust and adoption.

4. **Strengthening ecosystems that foster inclusive innovation**. Several approaches to support innovation in various countries and fostering lateral learning across countries is necessary. The innovations should focus on supporting new and creative digital business models to bridge the digital divide.

5. **Strengthening marginalized citizens' and MSMEs' capacity to fully participate in the digital economy.** To foster a thriving and inclusive digital economy we must build the capacity of MSMEs and citizens, especially those who have been marginalized, to safely use digital tools online.

2. INFORMATION REQUESTED

All organizations and firms (large and small businesses) are strongly encouraged to provide information and comments by the closing date and time noted in the cover page. Responses should not be no more than 5-page limitation. We would particularly value comments responding to the consultation questions listed below.

Consultation questions:

1. How well do the proposed objectives frame the strategy required to develop a thriving and inclusive digital economy in the lower and middle income nations of Southeast Asia? Are there any critical challenges that are not included?

2. What opportunities do you see for a regional platform to effectively foster thriving and inclusive digital economies in the lower and middle income nations of Southeast Asia?

What specific supply and demand problems would you prioritize to be solved at a regional level?

3. What opportunities for fostering a thriving and inclusive regional digital economy do you see emerging from recent systemic shocks (e.g. Covid-19, climate change, 4th Industrial Revolution, etc.)?

4. What are the most significant gaps related to regional coordination in the development of inclusive digital economy policies that meet international standards, and how could a regional platform help address these gaps?

5. What are the most salient financial, economic, or other similar constraints to inclusive and sustainable digital infrastructure development to support broad-based economic growth? What are the best examples of these constraints being mitigated in developing countries?

6. What are the most common and important cybersecurity issues that affect MSMEs trying to harness the potential of the digital economy in their markets? What opportunities exist for a regional approach to strengthening cybersecurity for MSMEs?

7. What do you think are the main barriers for further growth and strengthening of e-commerce in Southeast Asia? What are common barriers for MSMEs to participate in the digital economy that are distinct from doing business in offline markets?

8. Given the draft strategic objectives mentioned above, and RDMA's mandate to operate as a regional platform, what criteria would you suggest we use to prioritize among activities seeking to achieve the different objectives?

3. RESPONSE SUBMISSION GUIDELINE

All comments and recommendations must be submitted electronically with the title **"72048621RFI00002 USAID/RDMA - Regional Inclusive Digital Economy Activity"** to Ms. Tanapreeyanun Paoluglam, Acquisition and Assistance Specialist, at tpaoluglam@usaid.gov, with a copy to Mr. Craig A. Smith, Regional Contracting / Agreement Officer, at csmith@usaid.gov. Responses to this RFI will be accepted through the date and time indicated above.

You will only receive an electronic confirmation acknowledging receipt of your response, but will not receive individualized feedback on any suggestions. No basis for the claims against the U.S. Government shall arise as a result of a response to this request for information or from the Government's use of such information. Specific questions about this RFI should be directed only to the email addresses identified above.

The submitted response should include:

Reference number: RFI No. 72048621RFI00002 USAID/RDMA - Regional Inclusive Digital Economy Activity
[Date]
Name/Email
Affiliation/Organization
Address

Attachments: Please attach any documents that support your comments to the above questions. Respondents may also include self/organization information including past experiences working on this subject area, experience working with other stakeholders, or capacity information.

[END OF REQUEST FOR INFORMATION]