

The role of Private Capital in ASEAN state-of-the-art, national initiatives and development opportunities for ASEAN-Italy cooperation

High Level Dialogue on ASEAN Italy Economic Relations, Bangkok, Thailand, October 3-4, 2023

Today, **ASEAN** is one of the **fastest-growing regions of the world**, reporting in the last decade (2013-2022) GDP growth of **+42%**. In addition, it is becoming **pivotal on the international scene** in the attraction of foreign investment, recording an inward stock of FDI of **\$3.1 trillion** in 2021.

Private Equity and **Venture Capital** firms represent the major sources of investment supporting the ASEAN start-up ecosystem and the region is attracting a growing number of global investors in this sector.

Thanks to its industrial strengths and characteristics, Italy can be a preferential development partner for ASEAN countries. Considering the current level of cooperation—especially in terms of investment—**Italy-ASEAN relations show space for improvement**. Strengthening Italian investor awareness of recent and future market trends in ASEAN countries and, at the same time, raising awareness of the Italian private market ecosystem could be the key to boost Italian investment in Southeast Asian countries.

In addition to providing “awareness-raising” action, this paper offers some **guidelines** that could be implemented to promote ASEAN-Italy cooperation in the Private Capital sector and promotes the role that **Cassa Depositi e Prestiti (CDP)** can play in bringing the relationship between Italy and the ASEAN countries to a higher level.

ASEAN socio-economic analysis and main trends

1. The Association of Southeast Asian Nations (ASEAN), if considered as a single economy, is the **3rd largest economy in Asia and the 5th largest in the world** after the US, China, Japan and Germany. Established in 1967, ASEAN includes 10 member states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and, with a population of **600 million people**, is the 3rd largest region globally, after China and India.

2. Today, ASEAN is **one of the fastest-growing regions of the world**, reporting in the last decade (2013-2022) GDP growth of **+42%**. More specifically, in 2022, the region recorded GDP of about \$3.7 trillion (**+8.3%** compared to 2021) and a growth rate of **+7.8%** is expected for 2023, lower than that experienced in 2022, but still well above the global average that is estimated to be +2.8% in 2023.¹

3. In fact, despite the great uncertainty globally, caused by the COVID-19 pandemic and the Russian-Ukrainian conflict, the Southeast Asian region has shown resilience, mainly thanks to the adoption of adequate monetary and macroeconomic policies, export performance and solid domestic demand.

4. Examining the outlook for 2023, it can be stated that the countries of Southeast Asia will play an increasingly important role in the global landscape. In fact, growth prospects are high: according to International Monetary Fund estimates, ASEAN GDP is expected to grow by **+7.3%**

annually in the 2023-2028 period to reach **\$5.6 trillion in 2028**.²

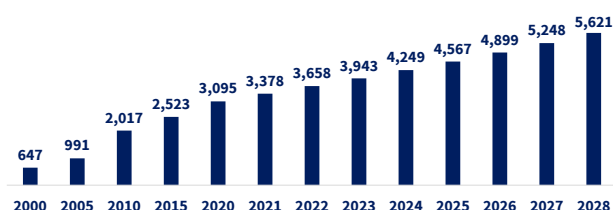


Figure 1. ASEAN GDP current prices forecast (US\$ billions), 2000-2028. Source: The European House - Ambrosetti elaboration on IMF data, 2023

5. Linked with its strong growth, Southeast Asia is becoming pivotal on the international scene in the attraction of foreign investment. In fact, after China, **ASEAN represents the major target of Foreign Direct Investment³ (FDI) in the developing world**, with a stock of FDI of \$3.1 trillion in 2021 (**+108.9%** compared to 2012 vs. +98.3% average at the global level). With an 11% share of global FDI inflows, in 2021, ASEAN inflows of Foreign Direct Investment (FDI) increased by +43.6% compared to 2020, reaching an all-time record of **\$175.2 billion** (vs. \$174.9 billion in 2019) and a growth of 12 percentage points higher than average growth in developing economies.⁴

¹ Source: “ASEAN Economic Outlook 2023”, 2023.

² Source: International Monetary Fund, 2023.

³ FDI include mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and intra company loans.

⁴ Source: UNCTAD “World Investment Report 2023”.

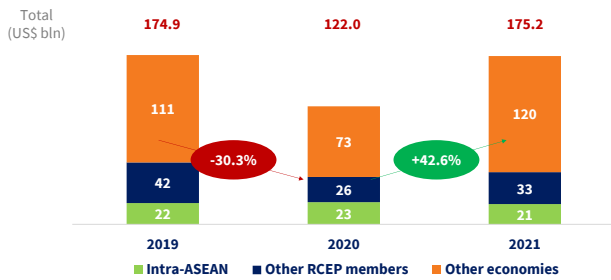


Figure 2. ASEAN inward flows of Foreign Direct Investment (US\$ billions), 2019–2021. N.B.: RCEP = All ASEAN member states plus Australia, China, Japan, the Republic of Korea and New Zealand. Source: The European House - Ambrosetti elaboration on ASEAN Secretariat and UNCTAD, FDI/MNE database data, 2023

6. The recovery of Foreign Direct Investment from the COVID-19 pandemic period was mainly the result of both the increase in the value of **cross-border M&As**⁵ and **international project finance**. M&A sales increased to about \$50 billion in 2021, registering a value 5 times higher compared to the \$9.8 billion recorded in 2019. The rise was primarily due to significant M&A activities in services (\$34.8 billion in information and communication) and manufacturing of chemicals (\$10 billion): these two industry groups accounted for **94%** of total M&A sales value in 2021.

7. Announced international project finance deals grew instead by **+73%**, from \$66 billion in 2020 to \$114 billion in 2021, especially in **renewable energy** (\$46.5 billion, +167% vs. 2020) and **industrial estate sectors** (\$39.2 billion, +202% vs. 2020). These two industries accounted for **75%** of international project finance activity in 2021, followed by oil and gas (\$9 billion in 2021), telecommunication (\$8.5 billion in 2021) and mining (\$4.6 billion in 2021).

8. The most significant sources of Foreign Direct Investment for ASEAN countries come from the United States, China and Japan. These three countries accounted for over **55%** of total FDI inflows in 2021. More specifically:

- Investment from the **United States** rose by +41% to \$40 billion.
- Investment from **China** nearly doubled increasing by +96% to almost \$14 billion.
- Investment from **Japan** remained constant at \$12 billion.

9. In fourth place is the Netherlands (no. 1 European country with \$11 billion), followed by Hong Kong (\$8 billion), Switzerland (\$8 billion), South Korea (\$7 billion), Taiwan (\$5 billion) and Canada (\$4 billion).

10. In addition, a substantial part of FDI flows come from **intra-regional investment**. Although in 2021 this decreased by **9%** compared to the previous year, intra-ASEAN flows remain a significant source for ASEAN countries, second only after the United States, recording a total of \$21 billion and a **12%** share of the total FDI inflows into the region.

11. ASEAN countries are continuously diversifying the source of FDI. In 2021, the top-10 countries accounted for

74% of investment in ASEAN (vs. 90% in 2020), with the top-5 contributing more than **55%** to total inflows in 2021 (vs. 64% in 2020).

12. Of the main ASEAN FDI recipient countries, **Singapore ranks 1st** also in 2021, with \$99.1 billion of FDI inflows, followed by Indonesia (\$20.1 billion), Vietnam (\$15.7 billion), Malaysia (\$11.6 billion), Thailand (\$11.4 billion) and the Philippines (\$10.5 billion).

13. In terms of ASEAN outward Foreign Direct Investment, a **5.7%** growth was seen in the stock in 2021 compared to 2020 (and **18.4%** if compared to 2019), reaching a total value of outward FDI toward the world of **\$1.4 trillion** in 2021.

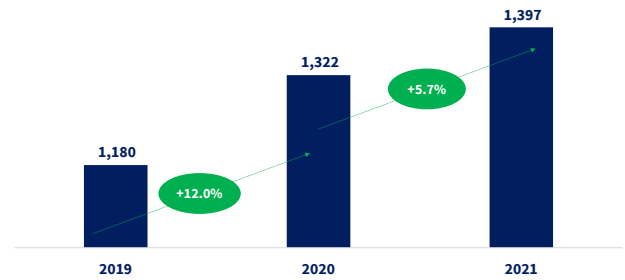


Figure 3. ASEAN outward stocks of Foreign Direct Investment (US\$ billions), 2019–2021. Source: The European House - Ambrosetti elaboration on ASEAN Secretariat data, 2023

14. As of 2021, the intra-ASEAN stock of FDI represents **22.2%** of the total ASEAN outward FDI equal to a value of \$311 billion. Specifically, in 2021, the total value of Singapore's FDI from ASEAN countries was \$88 billion (equal to 28.4% the total intra-ASEAN outward stock of FDI), followed by Indonesia with \$75 billion (24.2%), Malaysia with \$46 billion (14.9%), Vietnam with \$37 billion (12.0%) and Thailand with \$33 billion (10.7%).

15. During the period under consideration, the stock of Foreign Direct Investment among ASEAN countries also increased. In fact, in 2021, it rose by **3.6%** compared to 2020, demonstrating the increasing level of integration between the ASEAN countries in terms of investment.

16. Overall, the main destination of ASEAN outward stock of FDI is **China** (with a stock of **\$170 billion** in 2021), followed by the Netherlands (no. 1 European country with \$114 billion), Hong Kong (\$86 billion) and the United Kingdom (\$73 billion).

17. As of 2021, a significant portion of FDI stock from ASEAN is allocated to the European Union, specifically **14.1%** of the total stock (equal to \$196 billion). In addition, starting from 2019 a growing trend of ASEAN outward stock of FDI directed towards the EU-27 can be seen: in 2021 an increase of +11.7% was recorded compared to 2020, and +36.7% compared to 2019.

18. As mentioned above, **the Netherlands** is the country showing the largest amount of Foreign Direct Investment with a stock of \$114 billion in 2021 (accounting for 58.4% of total FDI toward the EU-27). The other most significant European countries are **Luxembourg**, with a stock of \$43 billion (22.0%), **France**, \$22.6 billion (11.5%) and **Germany**

⁵ Merger and Acquisition.

with \$7 billion (3.7%). **Italy** stands at \$1.5 billion (0.7% of the total ASEAN outward FDI toward EU-27 countries).

19. Concerning the main sectors to which the ASEAN region allocates its investment, during the last decade most of the outward FDI have been concentrated in the advanced manufacturing, real estate, fashion, mobility, green technologies and infrastructure sectors.

The role of Private Capital in promoting the growth of ASEAN countries

20. Today's geopolitical context is characterized by strong tensions between the world's major economies, rising interest rate levels and unstable markets, which are reflected in increased risk and consequent investor mistrust in implementing new investment operations.

21. In fact, 2022 was marked by **sharp reductions in cross-border transactions**. In particular, after the -35% collapse in global investment flows in 2020 caused by COVID-19, in the first quarter of 2022, the value of global Foreign Direct Investment grew by **+35%** (on an annual basis, compared to the first quarter of 2021). However, the outbreak of the Russian-Ukrainian conflict halted the post-COVID-19 recovery of global FDI, resulting in a **-7%** reduction in the second quarter of 2022 (on an annual basis, compared to the second quarter of 2021).

22. The uncertainty and high volatility in public markets—mainly due to recent global trigger events—and the opportunity to gain higher returns, are pushing more and more investors to invest in the **Private Capital sector**.⁶ In fact, in recent years, the Private Capital sector is experiencing a **period of major development**. Since 2017, total private market Assets Under Management (AUM) have grown at an annual rate of almost **20%**, reaching a value of \$11.7 trillion as of June 30, 2022.

23. Trends in the Private Capital market are only experiencing a transition period in 2023, with estimates by Preqin forecasting that by 2026 overall Assets Under Management will double compared to 2021 up to \$17.8 trillion, with a growth rate of 14.8% in the 2021-2026 period. The ICT sector is expected to be the most significant investment field, with a prominent role played by **thematic funds**, which, in the last three years, have tripled their Assets Under Management.

Private Equity & Venture Capital in ASEAN: key facts and figures

24. Private Equity and Venture Capital firms are **major sources of investment** supporting the development and regionalization⁷ of ASEAN companies and start-ups. They channel foreign and regional funds for investment in ASEAN-based companies and they play a key role in strengthening the start-up ecosystem and in driving the rapid rise in the number of start-ups and unicorns.

⁶ The Private Capital sector, in addition to Private Equity and Venture Capital, also includes private debt, real estate, infrastructure and natural resources.

⁷ That is, the entry/expansion into other markets of other ASEAN countries.

25. **ASEAN is an increasingly important destination for global Private Capital investment**. In fact, in the period 2017-2021, Private Equity and Venture Capital Assets Under Management (AUM) registered a growth of **+83%**, reaching over \$66 billion in 2021.⁸

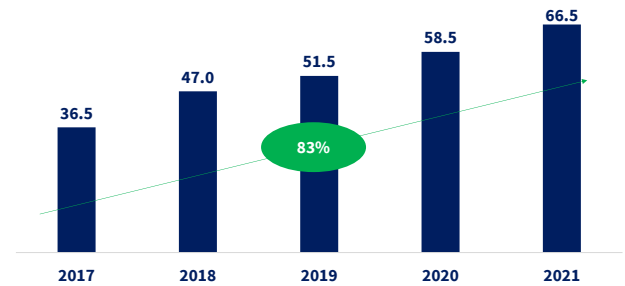


Figure 4. ASEAN Private Equity and Venture Capital Assets Under Management (US\$ billions), 2017-2021. Source: The European House - Ambrosetti elaboration on ASEAN Investment Report 2022 research, based on data from Preqin Pro, 2023

26. Analyzing the different types of funding, between 2017 and 2021, ASEAN recorded a significant growth in both Private Equity Assets Under Management, which grew by **+42.2%** (Figure 5), and Venture Capital Assets Under Management, which grew by **+158.1%** (Figure 6).⁹ To further highlight the importance of this source of funds for the ASEAN region, it should be noted that in the same period, FDI stock grew by +36%.

27. In terms of Venture Capital, the number of deals rose by **72%** between 2014 and 2021, from 257 to 903. In 2021, the value of deals reached **\$19 billion**, 15 times the value reported in 2014. Venture Capital deals have been concentrated in Singapore and Indonesia. Other key destinations include Malaysia, the Philippines, Thailand and Vietnam.

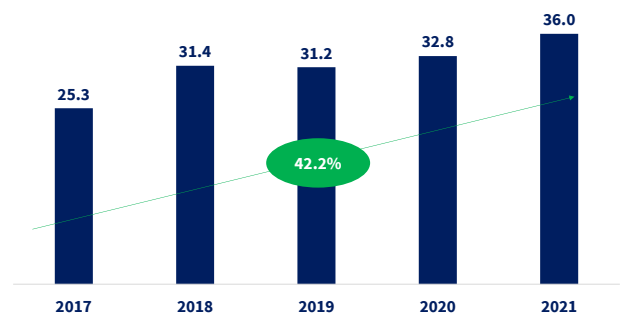


Figure 5. ASEAN-based Private Equity Assets Under Management (US\$ billions), 2017- June 2021. Source: The European House - Ambrosetti elaboration on ASEAN Investment Report 2022 research, 2023

⁸ Source: ASEAN Investment Report 2022 research, based on data from Preqin Pro.

⁹ The sum of the values referring to Private Equity and Venture Capital does not round up to \$66 billion since the split between the two types of funding is available (as of the date of publication of this Position Paper) only until the first semester of 2021.

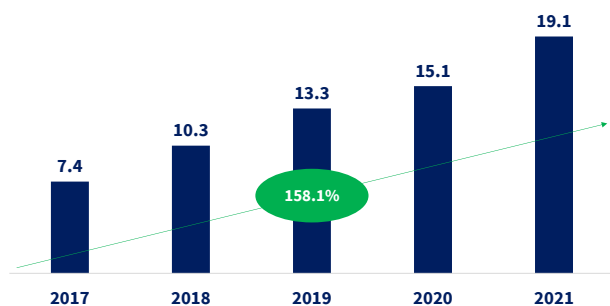


Figure 6. ASEAN-based Venture Capital Assets Under Management (US\$ billions), 2017-June 2021. Source: The European House – Ambrosetti elaboration on ASEAN Investment Report 2022 research, 2023

28. The ASEAN region is also attracting a **growing number of global investors**. In 2021, more than 470 institutional investors targeted ASEAN-focused Venture Capital funds, twice the 2019 value of 230.

29. Although foreign Private Equity and Venture Capital investors are significant, ASEAN-based Private Equity and Venture Capital firms are a growing source of funding for start-ups and for cross-border activities. Intraregional investment accounted for **22%** of global investment into ASEAN-focused Venture Capital funds in 2021. **Singapore was the largest source country (60%)**, followed by Malaysia (14%), Thailand (12%), Indonesia (7%) and the Philippines (6%). The three industries most favored by investors are **technology, healthcare and consumer services**.

30. Different types of investors are involved with Venture Capital investment and funding of unicorns. More specifically, corporate and corporate Venture Capital investors can be grouped into three categories:

- **Conglomerates** such as Djarum Group (Indonesia), Ayala Group (the Philippines) and Charoen Pokphand (Thailand), that invest in unicorns they established or were spun off from their group. For instance, Djarum Group funds Blibli and Tiket.com and Ayala Group is funding Mynt. Most of the conglomerates have also established Venture Capital funds that target start-ups in and outside the region.
- **Corporate Venture Capital** – corporations that have established dedicated Venture Capital funds to invest in unicorns and start-ups in ASEAN. Examples include MDI Ventures (Indonesia), owned by Telkom Indonesia, which invest in Sicepat (Indonesia) and NIUM (Singapore); UOB Ventures (of the UOB Group), investing in Ruangguru (Indonesia); Softbank Vision Fund (the United Kingdom) of Softbank Group (Japan), investing in unicorns in technology and in e-commerce and marketplaces based in Singapore, such as Advanced Intelligence Group, Carro, PatSnap, and Trax.

- **Digital and technology companies** such as Facebook (the United States), Google (the United States), Naver (Republic of Korea), Rakuten (Japan) and Tencent (China). A majority of the technology companies investing in ASEAN unicorns are from China and they invest an equity stake to build business synergies. Tencent (China) has invested in four unicorns in Indonesia, Singapore and Vietnam. Alibaba (China) has invested in at least six unicorns in the region: fintech Akulaku (Indonesia), Ascend Money (Thailand), delivery and logistics service Flash Express (Thailand), Lazada (Singapore), which is also Alibaba’s e-commerce subsidiary, fintech Mynt (the Philippines) and delivery and logistics service Ninja Van (Singapore).

31. However, in ASEAN, Private Capital is not only Private Equity and Venture Capital. In 2021, among the different types of Private Equity and Venture Capital, Growth funds saw the highest growth, reaching a value of **\$79 billion**, followed by Buyouts funds, with \$70 billion, and Venture Capital funds, with \$65 billion, plus other types of Private Equity funds worth \$8 billion.¹⁰

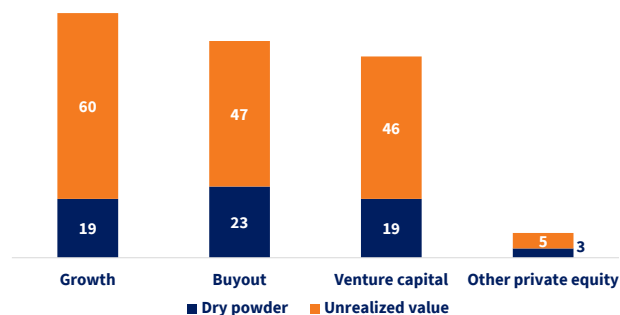


Figure 7. ASEAN-based Private Equity and Venture Capital Assets Under Management, by fund type (US\$ billions), 2017-June 2021. Source: The European House - Ambrosetti elaboration on ASEAN Investment Report 2022 research, based on data from Preqin Pro, 2023

32. Due to the uncertain macroeconomic context and to rising interest rates, **the trend in Private Capital investment in ASEAN slowed in 2022**. In the first half of 2022, ASEAN start-ups raised funding of \$13.3 billion, a drop of almost -26.5% compared to the \$18.1 billion raised in the same period in 2021. However, ASEAN start-ups still maintained a positive increase of +13.6% compared to 2020.¹¹

33. Finally, the main ASEAN countries in terms of Private Capital investment attraction are Singapore, Indonesia and Vietnam. However, the growth phase the ASEAN region is experiencing also involves other member states. For example, **Thailand**, thanks to its strategic central position, is an integral part of the Chinese state plans for global connectivity (the Belt and Road Initiative) and for private investment, allowing it to benefit from the growing interest of foreign investors aimed at that geographical area. In fact, the value of private funding in Thailand tripled between 2019 and 2021, reaching a value of \$600 million. In addition,

¹⁰ Dry powder is an up-to-date number, calculated as the amount of capital that has been committed to funds minus the amount that has been

called by Global Partners for investment. Unrealized value is a lagging indicator representing the residual value to paid-in (RVPI).

¹¹ Source: Preqin pro data on S&P Capital IQ Pro platform, 2022.

between 2017 and 2021, there was an increase of +212.1% in Venture Capital funding, which is now worth **\$437 million**.¹²

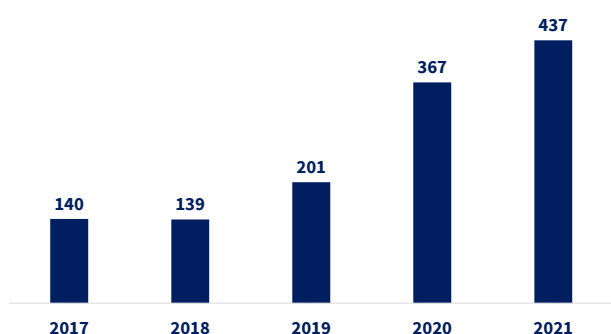


Figure 8. Value of Venture Capital funding in Thailand (US\$ millions), 2017-2021. Source: The European House - Ambrosetti elaboration on Statista data, 2023

Start-ups and unicorns

34. The relative abundance of start-ups and unicorns in ASEAN is an important factor behind the dynamism of the region, including intraregional investment. In fact, **ASEAN represents an important hub for start-ups**: they represent a significant stake of the entrepreneurial sector of the Southeast Asia region, characterized by a share of MSMEs equal to more than **97%** of the enterprises in the region, accounting for 45% of GDP, 67% of employment, 28% of Value Added and 20% of export.

35. As of 2022, in the region the number of start-ups that have raised **more than \$1 million** in funding is equal to 1,920, +194% compared to 2015 when they were 652. The number rose much faster than in India (with an increase of +110%), Europe (85%) and the United States (65%) in the same period.

36. Singapore is the no. 1 ASEAN member state for number of start-ups (1,157 in 2022), followed by Indonesia (285), Malaysia (146), Vietnam (138), the Philippines (89), Thailand (86), Cambodia (10), Myanmar (7) and Laos (2).

37. Perhaps more importantly, **ASEAN** (if considered as a single country) **is 4th for number of unicorns**, after the US, China and India, with a total of 46 unicorns in 2021, mainly based in Singapore (20) and Indonesia (14) and primarily operating in **six key sectors**: *i)* finance and insurance; *ii)* technology and telecommunication; *iii)* e-commerce; *iv)* transportation and logistics; *v)* travel; and *vi)* tourism and hospitality. Start-ups, especially unicorns, contribute highly to the development and the growth of the region, by attracting both Foreign Direct Investment and Private Equity and Venture Capital investment (both foreign and intra-ASEAN).

38. Private Equity and Venture Capital firms represent the major sources of investment supporting the ASEAN start-up ecosystem. In 2021, the 46 unicorns in ASEAN were supported by 191 investors, of which 69 from the US, 26 from Singapore, 24 from China, 13 from Japan, 11 from Europe (mainly from Germany and the United Kingdom) and 10 from Indonesia. Another source of fundraising is provided by unicorns and start-ups operating in the Asian region towards other unicorns that need funding to grow.

39. The majority of start-up funders are traditional Venture Capital firms. However, in recent years, an increasing number of corporate Venture Capital firms are implementing financing operations in the Private Capital sector. In 2021, even if the number of traditional Venture Capital firms among the companies investing in ASEAN unicorns remains higher (115 companies) 55 corporate Venture Capital firms are included. A limited role is still played by **government-linked companies or Sovereign Wealth Funds**, whose 15 entities represent only **8%** of the total.

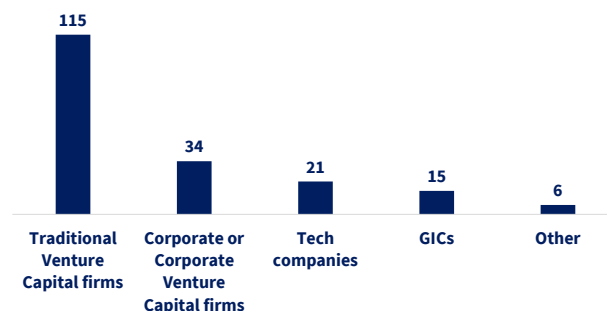


Figure 9. Types of funders of unicorns in ASEAN (number), 2021. Source: The European House - Ambrosetti elaboration on ASEAN Investment Report 2022, 2023

ASEAN policies to support start-ups

40. The growth in the number of start-ups and unicorns and the increasing investment by Private Equity and Venture Capital companies are making **ASEAN countries increasingly attractive**, promising a growth in the Private Capital sector in the coming years.

41. The growth achieved by ASEAN in terms of attraction of FDI and Private Capital funds are the result of **policies and action plans** implemented by the region in recent decades. In 2015, ASEAN adopted the Strategic Action Plan for SME Development 2016-2025 (SAP SMED 2025 strategy for SMES) to enhance the competitiveness and resilience of micro-, small-, and medium-sized enterprises and to enable greater benefits from ASEAN economic integration.

42. Many ASEAN member states have also implemented policy measures on their own and built programs aimed at supporting start-up development on a dual level: on the one hand, the objective is to **build the local start-up ecosystem** by strengthening existing start-ups and attracting foreign ones, Venture Capital and entrepreneurial talent to the country; and, on the other hand, by encouraging start-ups operating in ASEAN markets through cross-border investment.

43. Among the most significant initiatives, **Malaysia** proposed two programs—SMEs Go Global and Global SME Masterclass—to encourage and support SME global expansion, and the Tech Entrepreneur Program, to promote investment by entrepreneurs and investors in tech start-ups in the country. **Singapore** implemented a number of plans to attract global entrepreneurial talent, including: Startup SG, the Financial Sector Technology and Innovation scheme, the Capabilities Development Grant and the Global Company Partnership Grant, to attract start-ups and

¹² Source: Statista, "Startups and Venture Capital in Thailand", 2023.

facilitate development of the country's start-up ecosystem. Also, **Vietnam** established several funds, such as the National Technology Innovation Fund, to support start-ups in terms of financial assistance, training and mentoring.

44. In **Thailand**, the aim of the government is to become a **global hub for start-ups**—with three main centers in Bangkok, Chiang Mai and the Eastern Economic Corridor—by attracting local and foreign Venture Capitalists. To increase the competitiveness of its capital market, the Thai government relies on various agencies—such as the Digital Economy Promotion Agency (DEPA), National Innovation Agency (NIA), the Board of Investment of Thailand (BOI), the National Science and Technology Development Agency (NSTDA), Revenue Department, and Technology and Innovation-based enterprise Fund—which promote different startup programs.

45. The various policies adopted by the individual countries to promote the creation and establishment of start-ups—combined with the high growth rates expected in the coming years for ASEAN countries—**enable a “virtuous cycle” for the region** in terms of attraction of Private Equity and Venture Capital funds and FDI.

46. In fact, the relationship between start-ups and FDI activities in ASEAN reflects different stages of the growth process, from seed to exit. Start-ups regionalize mostly during the growth and expansion stages. In the expansion stage, they regionalize rapidly in multiple locations to capture horizontal and vertical markets. Some form strategic alliances with MNEs or other unicorns to expand value chains or diversify digital or technology services from e-commerce to fintech and med-tech.

47. The symbiotic relationship between start-ups and Venture Capital helps the region attract Venture Capitalist and other types of funders (e.g., Private Equity and foreign family offices or funds) of FDI. The exits of some start-ups (e.g., Grab in 2021, Sea in 2017, Razer in 2017) through public offerings are attracting Venture Capital companies to set up offices in the region. They include several from the United States (e.g., Valar Ventures, Hedosophia and Goodwater Capital).

The economic relationships between Europe and ASEAN

48. The Association of Southeast Asian Nations (ASEAN) and the European Union have a **45-year relationship** that, in December 2020, was elevated to a **Strategic Partnership**.¹³ Moreover, in 2021, the centrality of ASEAN was recognized in the EU Strategy for Cooperation in the Indo-Pacific.

49. This bilateral relationship is particularly based on **commercial trade**. In fact, ASEAN represents the **3rd largest trading partner**—after China and the US—with about **€271.8 billion of trade in goods** (of which €179.8 billion of exports and €92 billion of imports) in 2022, and €82.4 billion trade in services in 2020.¹⁴ At the same time,

Europe represents the **3rd largest trading partner for** — after China and the US—with a share of 10.2% of ASEAN trade.¹⁵ The EU's main exports to ASEAN are chemical products, machinery and transport equipment. The main imports from ASEAN to the EU are machinery and transport equipment, agricultural products and other manufactured goods.

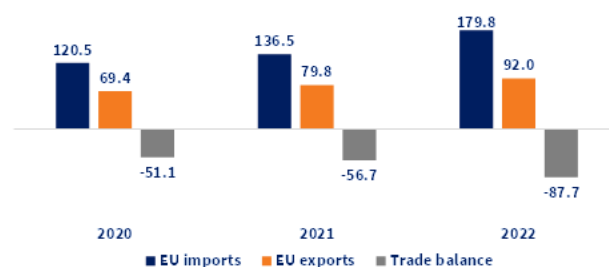


Figure 10. Trade in goods between the European Union and ASEAN (€ billions), 2020, 2021 and 2022. Source: The European House - Ambrosetti elaboration on European Commission data, 2023

50. The solid relationship between these two blocs is also demonstrated by the stocks of Foreign Direct Investment. In 2021, ASEAN reached a total of **\$327.9 billion** inward FDI stocks from EU-27,¹⁶ a growth of +11.3% compared to 2020 and +14.5% compared to 2019. Singapore is the main country of destination, with a total FDI stock of \$229.7 billion, followed by Indonesia (\$33.9 billion) and Thailand (\$31.5 billion). At the same time, in 2021, total ASEAN outward stocks toward EU-27 countries was over \$196 billion (+11.7% compared to 2020 and +36.7% compared to 2019), mainly from Singapore (more than \$139 billion), Indonesia and Thailand (over \$23 billion each).

51. In terms of the role of the European Union regarding Private Capital, currently, European investors make up about **6% of total investors in the area** and most of them are German.

52. More specifically, of the **11 European Union investors already present in ASEAN**, 8 of them have invested in companies located in Singapore, 2 of them in Indonesian companies and 1 in Malaysian companies. A prominent role is also played by the UK, with 6 investors overall (5 in Singapore and 1 in Vietnam).

53. European investors are mainly of two types, whose difference was explained in the sections above: corporations or Corporate Venture Capital firms and traditional Venture Capital firms. Of these funders, Softbank Vision Fund (United Kingdom)—part of Softbank Group (Japan)—funds the greatest number of unicorns. At the same time, the focus of funding concerns sectors such as travel aggregator, e-commerce or marketplace platform, technology, and fintech.

54. In this sense, the economic and industrial relationship between Europe and ASEAN is bound to see decisive

¹³ According to the European Commission, the Strategic Partnership elevates the EU-ASEAN partnership with a commitment to regular summits at leader level. The relationship between the two regional organizations is based on shared values and principles such as rules-

based international order, effective and sustainable multilateralism, and free and fair trade.

¹⁴ Latest data available.

¹⁵ Source: European Commission.

¹⁶ Values do not consider the Philippines due to lack of available data.

growth in the coming years. In fact, the ASEAN region is showing excellent growth and preparedness along the **entire value chain of key industrial sectors** such as the production of electric vehicles and batteries, semiconductors, the digital economy and industry 4.0. All of these represent strategic sectors for the European Union and its companies with the goal of reducing dependency on individual countries and diversifying its own material provision and investment in “friendly” third-countries.

The context of Private Equity and Venture Capital in Europe and Italy

55. The European Private Capital sector is growing year after year and—especially after the pandemic—is playing a decisive role in supporting the growth of companies and start-ups.

56. In fact, according to the last Private Equity Activity 2022 Report of Invest Europe,¹⁷ European Private Equity and Venture Capital fundraising surged to **€170 billion, +30%** above the previous peak in 2021. Europe's Venture Capital industry raised a record €23 billion to back start-ups (almost doubling the 2018 value of €13 billion), while Buyout specialists raised €111 billion to transform and expand mature European companies, 50% more than the average of the last five fundraising years.

57. As for investment, total equity invested in 2022 was **€130 billion**, slightly lower than the record reached in 2021 of €146 billion but still the 2nd highest level ever. A total of 9,033 companies received investment (**7%** above the average for the previous five years), **87%** of which were SMEs and **33%** were start-ups. **ICT** received over **€43 billion** in investments and, combined with consumer goods & services, accounted for more than **50%** of investments by amount.

58. Concerning the type of investor for all Private Equity, the highest share of incremental amount was raised by **pension funds** (27%), followed by funds of funds and other asset managers (18%) and sovereign wealth funds (15%). However, if only Venture Capital is considered, the no. 1 type of investor is **corporate investors** (31% compared to 5% share of all Private Equity), followed by government agencies (14%) and funds of funds and other asset managers (14%). A more limited role is played by sovereign wealth funds, that represent only **1%** of the total.

59. **Within this context, Italy is one of the most significant countries and it has reported high-growth rates in recent years.** In 2022, the number of entities making at least one investment rose to 202, +14.8% compared to 2021. As for fundraising, in 2022, **€5.9 billion were collected**, 3.4% compared to 2021 (€5.7 billion) and 4 times higher than 2019 levels (€1.6 billion).

60. For **investments**, in 2022, Private Equity and Venture Capital operators invested **€23.7 billion**—the highest level ever registered—with a **+61%** growth rate compared to 2021, whereas—as reported above—at the European level a -10.9% reduction was seen.

61. More specifically, half of the investments (49.8%, equal to €11.8 billion) involved Private Equity investment, 45.2% (€10.7 billion) infrastructure investment and 5% (€1.2 billion) involved Venture Capital. Specifically, Venture Capital investment almost doubled in 2022, with a growth rate of **+101%**. Similarly, Private Equity investment increased by **+83%**, whereas investment in infrastructure increased “only” by +39.4%.

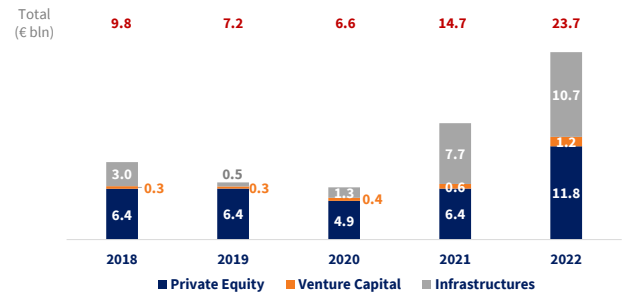


Figure 11. Investment by type of activity in Italy (€ billions), 2018-2022. Source: The European House - Ambrosetti elaboration on AIFI – Associazione Italiana del Private Equity, Venture Capital e Private Debt, 2023

62. Overall, a total of **7 deals with equity paid in of between €150 million and €300 million** (large deals) and **17 deals with equity paid in above €300 million** (mega deals) were realized during the year, which together accounted for **76%** of the total amount invested in the year (€17.9 billion). In 2021, 8 large deals and 8 mega deals were realized, amounting to €9.8 billion (67% of the total).

63. Regarding the various sectors in which investment was focused on, over a quarter (225 investments, 26.5% of the total) concerned the ICT sector, followed by industrial goods and services (11.3%), and medical goods (9.9%). Also, it is relevant to highlight that **89%** of investment targeted small- and medium-sized enterprises, higher than the European average (87%).

64. In conclusion, Italian Private Equity and Venture Capital has shown **consistent growth** in the past few years and was also able to support investment in 2022, while at the European level, investment fell by -11%.

65. However, some **challenges** are ahead for the Italian Private Capital market. The macroeconomic situation remains highly uncertain and could result in very different trajectories for the Italian economy in the next few years. More importantly, the uncertain macroeconomic context will have significant consequences on the Private Equity sector.

66. In fact, after a year of sharply rising interest rates, a banking crisis and widespread geopolitical turbulence, at the global level, Private Equity activity continued to slump in the first half of 2023. Investment, exits and fund-raising have all limped along since midsummer of last year, when central bankers first started raising rates in response to spiking inflation. In confirmation of this, in 2022 in Italy, **disinvestments** reached an all-time record, with €4.4 billion disinvested, **+62.7%** compared to 2021.

¹⁷ Invest Europe is the association representing Europe's Private Equity, Venture Capital and infrastructure sectors, as well as their investors.

67. The result of this uncertainty on the Italian Private Capital sector is that in the first quarter of 2023, the amount invested in Italian start-ups by both domestic and foreign operators was €160 million, down **-63%** from €420 million in the same period of 2022.

The economic relationships between Italy and ASEAN

68. In this context in which the European Union is increasing its presence in the region, **Italy—thanks to its industrial strengths and characteristics—can be a preferential development partner for ASEAN countries.**

69. Italy is one of the major global economies (3rd in EU and 9th in the world), with a stock of FDI in 2021 of €500 billion (+17.8% vs. 2015) and added value from manufacturing of **17%**, higher than the global average of 16.7%.

70. In addition, since the COVID-19 pandemic, Italy has shown **strong growth**. Italy's GDP grew by +7.0% in 2021 vs. 5.4% EU-27 average, continuing this trend also in 2022 (growth of 3.7% vs. 3.5% EU-27 average). This rebound allowed Italian GDP to **return to pre-crisis levels already in 2022**, whereas at the beginning of the crisis forecasts indicated that it would be necessary to wait until 2025.

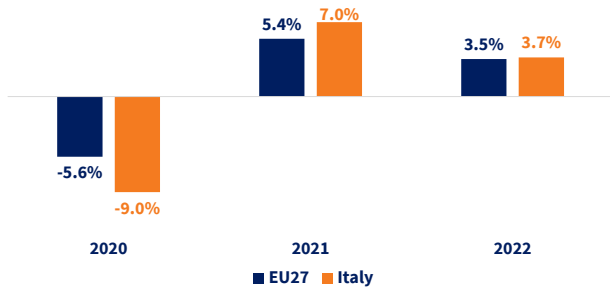


Figure 12. GDP growth in EU-27 and Italy (% var), 2020, 2021 and 2022. Source: The European House - Ambrosetti elaboration on European Commission data, 2023

71. For 2023, according to the latest economic forecasts of the European Commission updated to September 2023, Italy is expected to see a **+0.9%** growth (down to 0.7% according to the latest September 2023 forecast of the Italian National Institute of Statistics – Istat), higher than the Euro Area average (+0.8%) and Germany (-0.4%).

72. From the **industrial perspective**, Italy is the 2nd largest manufacturing hub in Europe after Germany, reporting a manufacturing trade balance of over **\$100 billion**, 5th in the world only after China (\$1.1 trillion), Germany (\$303 billion), Japan (\$158 billion) and South Korea (\$150 billion).

73. The backbone of the Italian industrial ecosystem are the SMEs and in particular **manufacturing SMEs**. With almost 360,000 manufacturing SMEs, Italy is in fact the no. 2 European country for SMEs, accounting for almost **1/5** of

the European total (17.5%). More specifically, SMEs in Italy represent:

- **42%** of total turnover.
- **41%** of total Value Added.
- **48%** of total exports.
- **38%** of total employment.

74. Italy reports **several manufacturing specializations** that put the country in a high-level position when it comes to its attractiveness both in “importing” investments to the country and “exporting” them to others such as ASEAN countries.

75. For instance, some of the **leading major “Made in Italy” sectors** (agrifood, automation, furniture and clothing) generated in 2021 higher Value Added (around **€150 billion**) than key industries in the European Union overall.

76. But Italy also plays a significant role in high-technology industries such as the pharmaceutical sector. In fact, in 2020, Italy generated a **record** production value of **€34.3 billion**, higher than Germany (€33.2 billion). Also, with \$8.8 billion of exports in 2020, Italy is the world's **6th** largest exporter of renewable technologies,¹⁸ 2nd in the EU after Germany (\$29.1 billion).

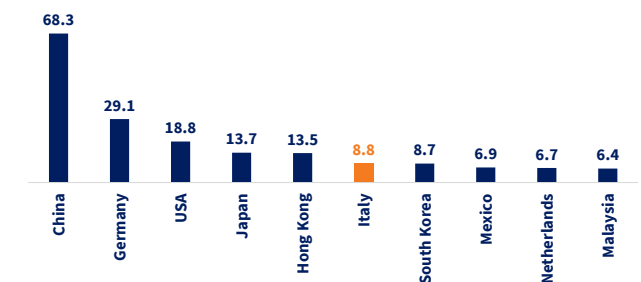


Figure 13. Top-10 renewable technology exporting countries (US\$ billions), 2020. Source: The European House - Ambrosetti elaboration on ANIE, Confindustria, Intesa Sanpaolo and UNCTAD data, 2023

77. Italy also holds a **leading position in several other key manufacturing sectors**:

- **2nd country** in the world by export value (after Germany) in the **machinery and automation** sector.
- Among the leading manufacturers of **ceramic tiles** in Europe (85% of revenues from exports).
- Aerospace and defence is the **no.1 high-tech manufacturing** sector in Italy, which is also the 3rd country in the world for helicopter exports.
- **35%** of the value of production of industrial design is carried out abroad (€430 million).

78. The strengths of Italy generate continuous growth in **commercial trade** with ASEAN countries, that over 2014-2022 almost doubled, growing by **+73.6%**, from €14 billion to €24.4 billion. More specifically, after the pandemic, the value of trade relations is reaching its peak: in 2021 the overall value of commercial trade was equal to €18.7 billion (higher than the 2019 value of €17.7 billion), reaching **€24.4**

¹⁸ The aggregate includes products mainly related to the world of renewable energy sources (so-called core renewables, including technologies for the production of photovoltaic, wind, thermodynamic solar, hydroelectric, etc.) and components not exclusively related to the

production of energy from renewable sources and therefore also intended for other sectors (such as, for example, alternators for electric power or towers and pylons for wind turbines).

billion in 2022 with a record year-on-year growth rate of **+30.2%**.

79. Despite this relatively high growth, **Italy-ASEAN trade relations show space for improvement**. In fact, as of 2022, the total commercial trade value (exports+imports) between Italy and ASEAN was **€23.4 billion, 9.0%** of the total EU-28 commercial trade with ASEAN. This implies that Italy ranks only **5th** among European countries for commercial trade with the region, with a value significantly lower than Germany—which has a share of 21.9% of the EU-28 total (€57.1 billion in 2022)—and behind the Netherlands (commercial trade value of €39.5 billion with a share of 15.1%), the UK (commercial trade value of €31.8 billion with a share of 12.2%) and France (commercial trade value of €29.8 billion with a share of 11.4%).

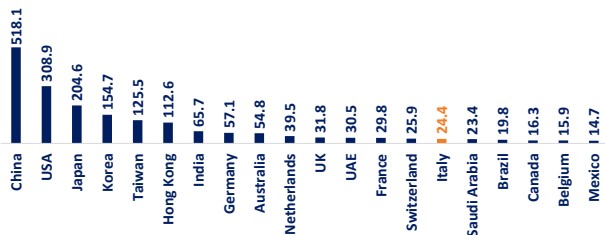


Figure 14. Trade partners of the ASEAN region (exports+imports, € billions), 2022. Source: The European House - Ambrosetti elaboration on European Commission data, 2023

80. In terms of the main characteristics of the bilateral trade relationship, exports and imports between Italy and ASEAN countries mainly refer to the manufacturing sector, with a share of, respectively, **98%** and **91.6%** of the total. As for **exports**, the top 5 sectors are machinery and equipment (with a share of 22.8% of the total), computers, electronic and optical equipment (16.3%), textiles, clothing, leather and accessories (16.6%), chemicals (8.3%) and food and beverage (7.6%).

81. Regarding **import** flows, 6 manufacturing sectors represent **70%** of total Italian imports from ASEAN countries: textiles, clothing, leather and accessories (with a share of 16.8% of the total); food and beverage (15.2%); basic metals and metal products (15.2%); computers, electronic and optical equipment (10.8%); chemicals (7.6%); and machinery and equipment (5.6%).

82. This picture of commercial trade also applies to ASEAN-Italy investment relations. In the last decade, FDI from Italy towards ASEAN reported a **+283%** growth rate, and as of 2021 it is worth €6.6 billion, **3.8%** of total stock of FDI in the region. At the same time, ASEAN represents **1.3%** of the total outward FDI of Italy. However, the weight of investment toward ASEAN is constantly increasing, considering it was equal to **0.4% in 2013**.

83. Today, in fact, many Italian companies have a **direct presence in ASEAN countries**. The Economic Observatory of the Ministry of Economic Affairs and International Cooperation (MAECI) reports a total of **439 subsidiaries of Italian companies** located in the main countries of Southeast Asia (130 in Malaysia, 100 in Vietnam, 87 in Thailand, 72 in Singapore, 31 in Indonesia, 16 in the Philippines and 3 in Myanmar). The main activities of these companies involve automotive, construction,

electronics, machinery, clothing, food and, more recently, hospitality sectors.

84. During the last two decades, several large, well-known Italian companies have internationalized in ASEAN. For example, since 2007, **Danieli**—an international firm operating in the metal industry—has installed a number of production units, design centers and service centers in Vietnam, Thailand and Indonesia. Since 2010, the Italian motorcycle manufacturer **Ducati** has been present in Thailand with a production plant, and in Indonesia, with its biggest showroom. In 2008, **Bonfiglioli**—a global Italian company which offers solutions to industrial automation, mobile machinery and wind energy sectors—established a production facility in Vietnam.

85. Among the most recent investment operations, in 2021, **Alfagomma**—an international company that manufactures fluid handling systems for the industrial sector—established a new subsidiary in Thailand. In 2022, **Piaggio**—a scooter and motorcycle manufacturer—settled a new production plant in Jakarta (Indonesia), and **MP Filtri**—an Italian company operating in the hydraulic industry—internationalized in Singapore with a new plant.

86. Finally, in 2023, **Marcolin Group**—leading company in the eyewear sector—opened a new branch in Singapore, and **Tonino Lamborghini**—an Italian luxury firm also operating in the real estate sector—entered the Southeast Asian market with two new hotels in Thailand and Vietnam. At the same time, **EDA Industries**—an Italian engineering company operating in the semiconductor industry—opened a new subsidiary in Malaysia.

87. On the other side, during the last decade, several ASEAN investments have also been recorded toward Italy, mainly from investment funds and companies settled in Singapore and in Thailand. Among the most important internationalization operations, in 2011, the Thai conglomerate **Central Group**—leader company in the distribution sector and department stores in Southeast Asia—acquired Rinascente—one of Italy's leading department stores.

88. Another example is **GIC Private Limited**, a sovereign fund owned by the Singapore Government that in 2001 started implementing several investments on the Italian market in various sectors, including real estate, fashion, motorway network, and others. Among the most recent investments made by the Singapore fund, in 2020, GIC acquired a minority stake in Intercos—an Italian firm producing cosmetics—while, in 2022, it acquired the majority share of The Student Hotel (now The Social Hub)—an Italian hotel chain.

89. Lastly, the global investment company Temasek, headquartered in Singapore, in 2021, invested in Ruffini Partecipazioni S.r.l. —the no.1 shareholder of Moncler with 22.5%—acquiring 12.8% of shares of the Italian sub holding.

Lessons to be learned for Italy to improve its relations with ASEAN countries

90. Despite the growth experienced in past years, the Italian Private Capital sector still looks less developed than in the main European countries. Considering all types of

Private Equity investments, **the amount of investments in Italy is 0.36% of national GDP**, six times lower than the UK value (1.8%), three times lower than France (1.1%), half the European average (0.62%) and lower than Spain (0.42), but slightly higher than Germany (0.27%).¹⁹

91. Also, if only Venture Capital investments are considered, Italy loses positions in the European ranking. In 2022, investments amounted to **0.028%** of the national GDP, a value significantly lower than the UK (0.207%), France (0.129%), the European average (0.09%), Germany (0.063%) and Spain (0.05%).²⁰

92. Moreover, the Italian market seems to be looking mainly at the “domestic” opportunities, with little invested outside Italy’s borders. In fact, in terms of the geographical distribution of the investments made, **95% of the investments and 98% of the amount invested concerned Italy** and only, respectively, 5% and 2% involved other countries.

93. Consequently, Italian investment in the ASEAN region seems to be limited. For instance, it is significant that the word “Italy” never appears in the latest “ASEAN investment report” released in October 2022, whereas the word “**Germany**” is reported 74 times and the word “**France**” 21 times. This is just an example, but it reflects the extent of the weight and relevance that Italy has in the area concerning the Private Capital sector.

94. This can also be considered a result of Italian “soft power”, i.e., Italy’s current relations with foreign countries, especially developing countries, and in the ASEAN region.

95. In fact, compared with Germany and France, Italy has several gaps when it comes to economic relationships with ASEAN countries.

96. Based on preliminary ASEAN data for 2022, the flows of Foreign Direct Investment from **Germany** to ASEAN recorded a +3.6% growth to \$3.69 billion in 2022 from \$3.56 billion in 2021. Furthermore, total two-way trade between ASEAN and Germany reached \$69.34 billion in 2022, which is a +5.14% increase compared to the previous year for which trade volume amounted to \$65.95 billion.

97. For **France**, in 2022, total two-way trade grew by +11.80%, from \$31.94 billion in 2021 to \$35.70 billion in 2022. At the same time, Foreign Direct Investment flows from France to ASEAN recorded a significant increase from \$2.06 billion in 2021 to \$4.71 billion in 2022.

98. Finally, total two-way trade between ASEAN and **Italy** increased by 10.69% from \$25.58 billion in 2021 to \$28.32 billion in 2022. Meanwhile, Foreign Direct Investment flows from Italy to ASEAN recorded a **negative value** of \$224.29 million in 2022.

99. Above all, **Germany** seems to be the European country with the most advanced economic relationships with ASEAN: it was conferred the status of Development Partner of ASEAN by the 49th ASEAN Foreign Ministers’ Meeting (AMM) on July 24, 2016 in Laos. However, even prior to the conferment of this formal partnership, there was a **great degree of cooperation between ASEAN and**

Germany in the political-security, economic and socio-cultural cooperation areas.

100. In terms of German-ASEAN relations in the Private Capital sector, among the top-12 Venture Capital firms investing in the ASEAN region, the **Germany-based Global Funders Capital** is a leading company. The fund mainly invests in early-stage startups operating in artificial intelligence, reinforced reality, big data, commerce, finance and gaming sectors, and has a consolidated presence in a number of countries in Southeast Asia, for example, through investments in Singapore (Lazada and UnaBrands), Indonesia (Traveloka) and Malaysia (Naluri).

101. **German investment funds recognize the high potential of the capital market in Asia.** In fact, in addition to Global Funders Capital, an increasing number of German Venture Capitalists are investing in Southeast Asia countries. For example, **Picus Capital**—an early-stage technology investment firm based in Munich—is focusing its investment on Asia, mainly on fintech, software and climate tech sectors, and is planning to allocate between 25% and 30% of its capital to the APAC region.

102. Moreover, the **German accelerator**, powered by German Entrepreneurship GmbH and financed by the Federal Ministry for Economic Affairs and Climate Action (BMWK), offers **two specific programs dedicated to German start-ups** with a consolidated business that wants to expand in Asian countries: the Market Discovery Program to verify that German start-ups have the necessary requirements to access the Asian market, and the Market Access Program to prepare and support German start-ups to enter the new market.

91. In line with the investment strategy of German capital companies increasingly oriented toward highly innovative markets, German Accelerator also provides support to start-ups for AI market access in Singapore, through access to an ad hoc program: the Singapore Market Discovery (AI) Program.

CDP mission and its role in supporting ASEAN-Italy cooperation

103. As discussed above, Italian economic and trade relations with ASEAN have major gaps if compared with the other major European economies. The strengthening of trade and even more of FDI cross-flows can generate significant benefits for both parties. The relationship between Italy and ASEAN countries is already well established but can certainly be improved to the benefit of both.

104. A key actor in the promotion of Italy’s international economic and investment relations is **Cassa Depositi e Prestiti (CDP)**, whose role may be decisive in bringing the relationship between Italy and the ASEAN countries to a higher level.

105. Cassa Depositi e Prestiti (CDP) is, in fact, the main **financial service provider**, whose majority shareholder is the Ministry of Economy and Finance (84% of total share)

¹⁹ Source: Invest Europe, “Investing in Europe: Private Equity activity”, May, 2023.

²⁰ Source: Invest Europe, “Investing in Europe: Private Equity activity”, May, 2023.

followed by bank foundations (16%). As of December 2022, the company had total assets of **€401 billion**, **€38 billion** in equity investment and funds and **€2.5 billion** in net income. Also, in 2022, the total value of postal funding was **€218 billion**, while the value of market funding reached **€90 billion**.

106. Its business model relies on collecting the financial resources of postal savers and the market to **support public bodies, businesses and infrastructure**. Among its main activities, CDP operates as anchor investor in Italian **Private Equity and Venture Capital sectors** to both support market growth and specialization through SME investment in strategic supply chains and creating a sustainable VC ecosystem by attracting third-party resources.

107. More specifically, CDP Equity provides **direct capital for long-term investment** in companies operating in key sectors such as infrastructure, energy, ICT or engineering. Through investment in funds and funds of funds, it also **supports the entire Italian private market ecosystem**.

108. Overall, the main asset management companies participated by CDP, namely CDP Venture Capital, Fondo Italiano di Investimento and CDP Real Asset, manage **31 funds** for over **€10 billion of AUM**.

109. CDP also acts as a **promoter of sustainable growth in emerging countries** by offering several financial solutions—including debt, investment funds, guarantees and advisory services—and contributing to implementing climate initiatives and achieving the 17 UN Sustainable Development Goals of the 2030 Agenda for Sustainable Development.

110. In addition to its own resources, CDP can count on **national public resources of €9.4 billion**, of which €5.2 billion have been allocated to the Revolving Fund for Development Cooperation and €4.2 billion to the Italian Climate Fund (ICF).

111. In particular, the **Italian Climate Fund (ICF)** is the main national public instrument to contribute to the global climate finance pledge by financing private and public initiatives in several thematic areas, such as the mitigation of greenhouse gas emissions and the adaptation and resilience to the impact of climate change.

112. The Italian Revolving Fund for Development Cooperation and the Italian Climate Fund represent economic and financial tools that could perfectly suit ASEAN sustainability needs. Despite being a **high growth area**, also because of its geographical location, the region has significant gaps compared to the developed countries of the world, and may be a **potential recipient** for Italian investment, beneficiaries of support like that of CDP.

Guidelines for promoting ASEAN-Italy Private Capital cooperation

113. To encourage the **increase of Italian investment flows** to Southeast Asia countries and vice versa—especially in the Private Capital sector, where ASEAN is gaining increasing attention from investors—some guidelines are offered here.

114. First, an **“awareness-raising” initiatives** should be taken, both in Italy and ASEAN, to spread knowledge about the potential areas of ASEAN-Italy cooperation. In fact, using proximity as a rule of thumb, ASEAN and Italy certainly look geographically distant from each other, implying that economic efforts could be harder to redirect. However, as seen in the sections above, both ASEAN and Italian ecosystems represent a perfect match.

115. For instance, today, the ASEAN market represents a profitable area of investment, especially in the Private Capital market, with high growth margins and increasing attention from the major global powers. Improving Italian investor awareness on recent and future market trends in ASEAN countries could be the key to boost Italian investment in Southeast Asian countries and, consequently, consolidate economic relations between Italy and ASEAN. At the same time, thanks to its **industrial strengths** and characteristics, Italy can be a preferential partner for ASEAN countries, that in recent years have invested in the country mainly in the fashion, real estate and infrastructure sectors.

116. In this two-fold perspective directed at improving ASEAN-Italy cooperation in both directions, it is of paramount importance to raise awareness of the Italian private market ecosystem, including by leveraging the role of CDP as the largest Italian investor in Venture Capital, Private Equity, private debt and real assets.

117. In light of what has been presented above, ad hoc guidelines can be implemented to promote ASEAN-Italy cooperation in the Private Capital sector.

118. A first guideline concerns the **facilitation of mutual cooperation and information sharing** between key investors in Italy and ASEAN countries, by focusing on the support to Italian and ASEAN enterprises investing or willing to invest in both regions. One possible tool to support the partnership development could be through **matchmaking events** and **provision of related information** (e.g., joint-venture partners).

119. A second guideline concerns the establishment of a Joint Working Group comprising **representatives of key investors** from Italy and ASEAN countries, with a view to considering co-investment opportunities between the parties.

120. This could also leverage on the establishment of joint programs to support **internationalization of start-ups** to be realized ad hoc from both parties. In this sense, public-private partnership (e.g., with commercial and export-import banks and/or DFI) should also be promoted to help provide funding for internationalization of SMEs and start-ups.

121. Third, the identification of **blending financing instruments to catalyze private and public funds** is pivotal to narrowing the climate-related investment financing gap in the ASEAN region.