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**STARTUP20
ENGAGEMENT GROUP**
Issue Note

वयुधैव कुटुम्बकम्

ONE EARTH • ONE FAMILY
ONE FUTURE

Contents

Startup20: Background and Objectives	3
Task Force 1 – Foundation and Alliances	5
Task Force 2 – Finance	6
Task Force 3 – Inclusion and Sustainability	7
Expected Outcomes and Key Deliverables of Startup20	9
Way Forward	9

Startup20

INNOVATION . ENTREPRENEURSHIP . COLLABORATIONS

Startup20: Background and Objectives

Startups have become indispensable to driving innovation and growth across multiple cycles of global economic progress. As an entrepreneurial venture built on innovation, startups have been able to provide an agile response to market and societal needs. Moreover, they are at the forefront of advancing technological frontiers with novel solutions to unexplored opportunities as well as unaddressed challenges in all areas of global interest such as healthcare, education, agriculture, energy and climate resilience.

The term ‘startup’ was democratized when they played a pivotal role in the ‘dot com’ boom of the late 90s. Ever since, the widespread growth of these startups has resulted in an intricate ecosystem, including incubators, technology providers, funding entities, and policymakers striving to propel them forward. Today, such ecosystems across the globe are driving development from the largest of economies to the smallest of emerging markets.

Indisputably, the contribution of startups was critical for the world to survive the COVID-19 pandemic, where they not only responded to contain the rapidly unraveling situation but are also leading the way back to economic vitality. By taking on both major challenges like rapid vaccine development as well as niche opportunities such as offering a range of digital health services, “no-contact” food delivery, and online learning and entertainment – startups have been the only sector that thrived amidst the crisis. In doing so, they also created many jobs at the time when there was a dire need to balance life and livelihood.

Similarly, as has been highlighted by the United Nations Sustainable Development Goals (SDGs): the role of startups in achieving the targets under the SDGs is essential and indispensable in the decades to come. Improving the skills of the workforce, tracking carbon emissions of factories, and tracing the carbon impact of each step in the supply chain are some of the areas where startups are playing an increasingly significant role. Using data-driven innovation intelligence, startups improve strategic decision-making by providing a holistic picture of the impact created in solving societal, economic, environmental, and industrial challenges. Thus, startups are also the pioneers in building a pathway towards a greener economy.

This dimension of job creation is one of the main contributions of startups to the growth and economic stability of countries. As per global data, startups create more jobs in a given sector than do most of the large companies or enterprises¹. Leading this trend are the Unicorns – startups with over a billion dollar valuation.

¹ <https://www.oecd.org/industry/dynemp.htm>

There are more than 1000 unicorns in the world as of 30th March 2022². 519 of these startups attained the unicorn status, in 2021³. Unicorns are critical success stories that not only increase the capital flow to the ecosystem but also tend to boost the ecosystem by raising aspirations of many others.

With such resounding success of startups, why do we need a platform like Startup 20? Startups certainly beckon the promise of widespread wealth creation; however, the value created by these ecosystems today remains concentrated. For example, about 74% of all value produced is in the top 10 performing cities globally⁴. Furthermore, there is a great regional imbalance in access to ecosystem services as well as capital, within and across nations. These imbalances in the ecosystem impede the success of startups, as factors such as gender, location, language begin to overshadow the real potential of an enterprise. Overall, they limit the economy's ability to engage startups effectively towards global opportunities and challenges.

Considering these factors, the need of the hour is to drive inclusive policy making, such that the demands of startups globally are adequately met by robust ecosystems across the G20 nations. It is only then that startups will play a critical role in addressing the next generation of challenges that the post-pandemic world faces such as: achieving the net zero goal while ensuring robust economic growth as well as equitable access to education, healthcare, and food security.

In the coming decades, knowledge and innovation will be the key to economic prosperity. Startups provide not only solutions to various problems but also create wealth. In this view, 'Startup20' a new G20 Engagement Group has been established with the primary objective to harmonize the global startup ecosystem through a collaborative and forward-looking approach. The purpose of this group is to provide a common platform for startups from G20 member countries to come together to develop actionable guidance in the form of building of enabler's capacities, identification of funding gaps, enhancement of employment opportunities, achievement of SDG targets & climate resilience, and growth of an inclusive ecosystem.

Suggestive areas of collaboration for Startup20 are:

- Harmonization of startup ecosystems in the G20 member countries to collaborate across diverse sectors, along with complementing and contributing to the economic growth of the existing G20 countries
- Recommendations and proposals for the development & growth of the innovation ecosystems through multilateral cooperation, taking into consideration the needs and requirements of startup ecosystems of the G20 member countries and emerging economies

The aforesaid areas of collaboration lead to the following Task Forces for Startup20 Engagement Group.

⁴ [Unicorns by Country World Map](https://www.statista.com/chart/27266/unicorns-by-country-world-map/)

³ <https://www.statista.com/chart/27266/unicorns-by-country-world-map/>

Task Force 1 – Foundation and Alliances

Rooted in innovation, a startup has the ability to exploit the deficiencies of existing products and markets or to create entirely new categories of goods and services, disrupting the entrenched ways of thinking and doing business for entire industries.

Given this diversity, there are multiple definitions of startups and their work throughout the G20 countries. Through this engagement group, consensus-based definitions and terminology can be arrived at to prepare a Handbook for Startups to solidify the foundation of the Startup20 Engagement group.

There are many large companies that work with startups extensively. The programs not only help companies become innovative, but also help startups to scale rapidly through their network and mentoring services. Promoting a startup to be a part of a pilot program is a perfect example of how to help startups access markets. This provides an opportunity to test out products and services with a specific customer base. The process can help improve the product offering and help identify early adopters. This engagement group aims to intensify interaction between startups and large corporations.

Countries are also launching several initiatives and providing support to their homegrown startups to scale and gain acceptance in major markets. Various exchange programs have been launched by the countries to help companies, economic development agencies, and other stakeholders to connect startups. At the same time, such initiatives support startups by offering networking opportunities through events, workshops, pitching formats and study tours. They provide informational and practical help in accessing each other's market, drawing on a large network of partners consisting of incubators, investors, companies, funding organizations, etc. across countries. This engagement group aims to link such country-level efforts, via cross-country collaboration, in order for startups to gain access to new markets and customers.

Objectives

- To harmonize the global startup ecosystem through consensus-based definitions
- To promote a global community of knowledge sharing among the startup ecosystems to explore opportunities
- To bridge the knowledge gap between the startup ecosystems of G20 member countries and emerging economies' through partnerships (e.g., between enablers such as incubators, government agencies)
- To enable more industry players across G20 nations to work with Startups and co-create solutions
- To create supportive policies for industry players and government organizations to work with startups
- To provide country point of contact for sustained collaboration

Questions for Discussion

- How are startups defined in your country?
- What are the government programmes to support startups in your country?

- What are the support mechanisms for startups to avail mentorship?
- How are large corporations working with Startups in your country?
- What policies can be updated to address the market access gap for startups across G20 nations?
- How can Startup20 enable more industry players and government departments around the world to work with startups?
- How can Startup20 become a bridge for startups to avail the ecosystems across the G20 nations and emerging economies?

Expected Outcomes and Key Deliverables

- Harmonization of startup related definitions and terminologies
- Setting up institutional mechanisms for the startup ecosystems across G20 nations to form desired alliances

Task Force 2 – Finance

In recent years, startup funding has become increasingly globalized. Consequently, startups are often looking to raise money from investors outside of their home countries. This trend is enabled by several factors such as:

- Digital communication through the Internet has made it easier for startups to reach a global audience
- The rise of the entrepreneurial ecosystem in major countries has made the venture capital funding of startups a mainstream asset class

Despite these advances, supporting startups through the proverbial “valley of death” remains a challenge worldwide. Firstly, the startup funding has fluctuated significantly over the past years. For example, global startup funding plummeted 23% in the second quarter of 2022 compared to the first quarter, with \$108.5 billion invested across 7,651 transactions⁵. This was the largest quarterly percentage decline in deals (and the second-largest quarterly percentage drop in funding) in a decade. This engagement group aims to offer ways for startups to be resilient to such fluctuations.

Moreover, attracting funding for startups in certain sectors of the economy is much easier than others. For example, sectors such as Artificial Intelligence, Advanced Manufacturing and Robotics, Blockchain and Edtech attract a lion’s share of the global funding pool, while some critical sectors of global importance such as healthcare, agriculture and climate resilience remain underserved. This engagement group aims to bring congruence between challenges of society and the funding trends in the areas of global interest.

Furthermore, patient capital is scarce for startups targeting tougher problems with higher risk. The globalization of startup funding has made access to funds more competitive, as more startups now compete for the common global pool of capital. At the same time, investors too are increasingly selective focusing on deals with immediate returns.

⁵ Global Funding in Startups, Economic Times

This engagement group aims to collaboratively explore ways to support startups focused on riskier ideas that have a greater promise of addressing tough global challenges.

Objectives

- To increase access to capital for startups by providing financing and investment platforms specifically for early-stage startups
- To broaden the array of financial instruments available to startups (e.g., making startups an asset class for traditional lenders)
- To create pitching and networking opportunities for startups with the global investor community
- To build suggestive frameworks that could be implemented in emerging ecosystems for building investment capabilities
- To provide a framework built upon best practices for global investors to fund startups across G20 member nations

Questions for discussion

- What measures are taken in your country for startups to create wealth while addressing key needs and issues?
- What kind of traditional and modern investment instruments are used to fund startups in your country?
- What kind of incentives are provided to attract investors?
- On an average, DeepTech startups take longer to generate profits due to higher technological and market uncertainties. How are investors in your country encouraged to invest in such startups?
- Are effective intellectual property rights accepted as collateral when funding startups in your country?

Expected Outcome and Key Deliverables

- Enable the flow of global capital into startups across sectors
- Promote investment of patient capital in startups working on areas of global interest (e.g., green economy)
- Create a policy framework to harmonize investment mechanism across the G20 member nations

Task Force 3 – Inclusion and Sustainability

Inclusion needs a special focus in order to ensure that the full potential of startups is harnessed. The opportunity for inclusion lies along at least two dimensions. First is in creating equal opportunity for startup founders irrespective of their backgrounds. For example, women entrepreneurs are playing an increasingly significant role in the global economy.

According to a report by the Global Entrepreneurship Monitor, the number of female entrepreneurs around the world has increased by more than 50% over the past two decades⁶. Even so, investment in women-founded startups remains systematically lower⁷

Women entrepreneurship helps promote an inclusive development of society. When women are economically empowered, they can participate in the decision-making process and have access to resources that can help in the development of society and the economy. However, the investment gap in women-led startups is still large and needs to be addressed on a global stage. This engagement group can work together to remedy such distortions.

The second dimension of inclusion is in supporting those startups that help communities become significantly more inclusive. For example, startups working on Assistive Technologies or those built on grassroots innovations exhibit the deepest understanding of the needs of the individuals and communities that are left out. This engagement group shall promote such efforts to improve lives of those most marginalized worldwide.

Sustainability cannot be achieved without global participation. Here too, there are two dimensions to consider. First is creating avenues for startups to use sustainable practices. Startups by nature are resource limited and face a tension between surviving and affording being environmentally sustainable. This engagement group aims to promote the exchange of best practices across the G20 member nations for startups to use sustainable practices from an early stage.

The second is the dimension of enlisting startups that could help the world accelerate in achieving the Sustainable Development Goals (SDGs) Globally, startups have innovated with both technologies and business models to take on SDG-related challenges innovatively. This engagement group aims to create mechanisms to amplify the work of such startups.

Objectives

- To increase support for women led startups and organizations
- To promote startups working on making communities more inclusive
- To enable more investors to invest responsibly in startups built upon sustainable practices (e.g., ESG factors)
- To encourage mentorship support to the startup ecosystems of the G20 member countries and emerging economies
- To promote startups working on SDGs in areas of global interest

Questions for Discussion

- What support mechanisms are available to foster entrepreneurship by women in your country?
- What measures are in place to promote startups that provide solutions for the most disadvantaged groups, such as Assistive Technologies for the disabled?
- How can Startup20 help startups embrace a culture of sustainable practices?
- What steps are being taken to promote a fair and transparent reporting of ESG?
- How can Startup20 help in providing a common platform for startups to come together and work on achieving SDG targets?

⁶ [Women Entrepreneurs Statistics](#)

⁷ <https://hbr.org/2021/02/women-led-startups-received-just-2-3-of-vc-funding-in-2020>



Expected outcome and Key deliverables

- Exchanging and promoting global best practices by startup ecosystem in inclusion and sustainability across G20 member nations
- A framework for engaging startups working on common SDGs from across G20 member nations

Expected Outcomes and Key Deliverables of Startup20

- The official Policy Communique by Startup20 Engagement Group, which will be circulated to the G20 member nations
- A Startup Handbook with a set of commonly agreed upon definitions and terminologies
- A Global Innovation Centre to foster collaborations across borders and to coordinate the implementation of the guidance from Startup20 Engagement Group
- Promote Startup20 as a Global Point of Contact for startup ecosystems worldwide
- Creation of a startup financing framework to enable financing of startups across G20 member nations
- Encourage a set of mechanisms to accelerate startups addressing critical SDG gaps, or representing groups whose inclusion requires special focus (e.g. women entrepreneurs) — either of common interest to the world

Way Forward

The Startup20 Engagement Group (EG) will be expected to deliberate, produce, and adopt the Startup20 Declaration and recommendations. Meetings will be attended by members of Startup20 of the G20 nations and other related invitees.

The schedules of meetings of Startup20 EG is as follows:

- The first meeting (Inception Meeting) will be scheduled on 28th and 29th January 2023 at Hyderabad, Telangana, India
- The Main Summit of Startup20 will be scheduled on 3rd July 2023 at Gurgaon, Haryana, India