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STARTUP 20

Innovation • Entrepreneurship • Collaborations

Sustainability Taskforce- #5

Policy Paper Draft

वसुधैव कुटुम्बकम् | ONE EARTH • ONE FAMILY • ONE FUTURE

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Introduction

The world is facing a myriad of challenges that threaten the future of the planet and the well-being of its inhabitants. These challenges range from the ongoing COVID-19 pandemic, which has disrupted economies and societies globally, to climate change, which poses a severe threat to our environment. Considering these challenges, sustainability has become an increasingly critical issue for governments, businesses, and individuals alike. The United Nations' Sustainable Development Goals (SDGs) provide a blueprint for sustainable development that aims to end poverty, protect the planet, and ensure peace and prosperity for all.

Startups and entrepreneurs play a crucial role in achieving these goals, driving innovation, and creating new solutions to address complex challenges. However, as per the Global Entrepreneurship Monitor (GEM)[1], less than one in 10 startups were aware of the SDGs in five out of nine Level C economies, one of 12 Level B economies, and none of 13 Level A economies. It is noteworthy that SDG-focused startups' potential impact is enormous, with a $12 trillion economic opportunity and the creation of 380 million jobs by 2030.[2]

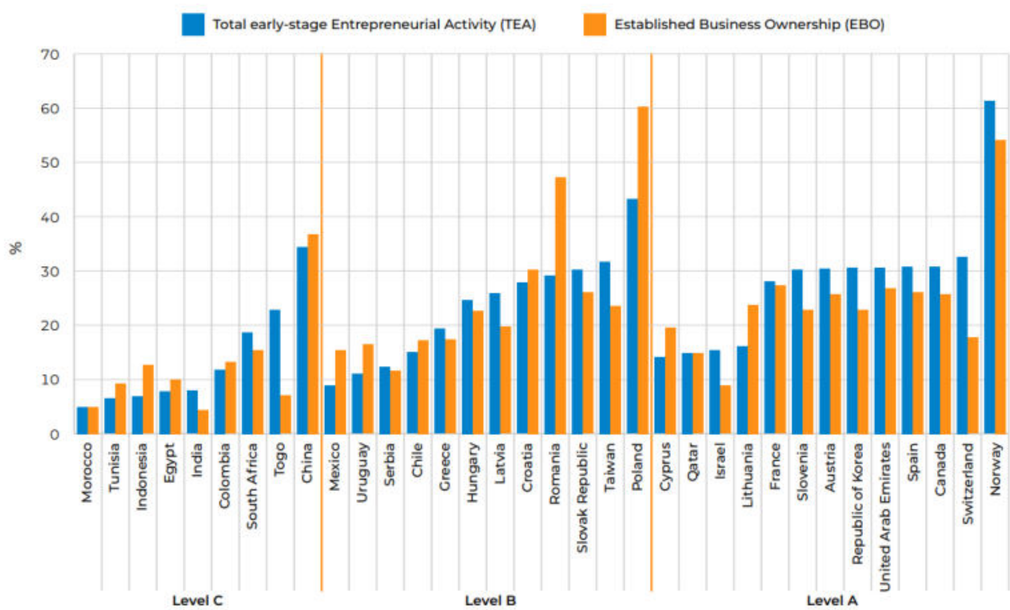

Figure 1 Are you aware of the 17 United Nations Sustainable Development Goals? (% Total early-stage Entrepreneurial Activity and % Established Business Ownership)[3]

[1] Global Entrepreneurship Monitor 2022/2023 Global Report
[2] UN Press Release (2020). The Business and Sustainable Development Commission
[3] GEM Adult Population Survey 2022
[4] The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

However, SDG-focused startups face many challenges, including a lack of access to funding, mentorship, networks, and supportive policy frameworks. These challenges impede their growth and limit their potential impact. The policy paper aims to address these challenges by suggesting recommendations and Policy Directives that can enable the growth of SDG-focused startups. According to the World Bank[4], over 600 million jobs will need to be created by 2030 to absorb the growing global workforce. SDG-focused startups have the potential to contribute significantly to this goal, but they need the right support to do so.

The policy paper is based on three recommendations, each with specific Policy Directives to enable the growth and support of SDG-focused startups. These recommendations broadly focus on increasing awareness of SDG-focused entrepreneurship opportunities and adopting best practices for the scalability of SDG-focused startups including knowledge exchange, capacity building, and networking opportunities.

1. The first recommendation is to improve awareness of SDG-focused entrepreneurship opportunities. This recommendation aims to encourage more entrepreneurs to focus on offerings that further the scope of SDGs. The development of campaigns and programs to increase awareness in collaboration with governments, and business associations are envisaged. The recommendation also suggests recognizing and spotlighting leading SDG-focused startups through case studies, which shall inspire more founders to take up this path. The inclusion of SDGs as academic curriculum and training of workforce is also proposed, which shall enable the creation of a startup pipeline at higher education level, and capacity building spanning the larger workforce. The provision of early-stage, high-risk, flexible funding for SDG startups is also proposed under this recommendation.

2. The second recommendation is to identify and adopt best practices to enhance the scalability of SDG-focused startups. This includes the curation of a framework for the identification of SDG-focused startups, with an impetus on improving access to capital through multiple models. The recommendation also suggests building a support ecosystem through incubation, mentorship, knowledge exchange, and networking opportunities which could enable cross-border market access and trade opportunities.

The policy paper provides a comprehensive framework that can enable the growth and support of SDG-focused startups, creating a sustainable future for all. The policy paper is based on the latest research and insights from global experts and stakeholders, ensuring it reflects the current state of the SDG-focused startup ecosystem with relevant projections of future scenarios. By considering the recommendations and implementing the suggested Policy Directives, the world may take a leap towards unlocking the full potential of SDG-focused startups, driving innovation, and creating impact for years to come.

[4] World Bank. Small and Medium Enterprises (SMEs) Finance

RECOMMENDATION 5.1

Recommendation 5.1: Increase the pipeline of entrepreneurs focused on Sustainable Development Goals (SDGs) across G20 nations

Policy Directives	
Policy Directive 5.1.1	Increase awareness about entrepreneurship opportunities in pursuit of SDGs
Policy Directive 5.1.2	Identify and spotlight key startups/entrepreneurs solving for SDGs
Policy Directive 5.1.3	Incorporate and encourage SDGs-driven entrepreneurship for undergraduate and post-graduate educational institutions (including Vocational Training Institutes/Community Colleges/ equivalent)
Policy Directive 5.1.4	Provide early-stage, high-risk, flexible funding for startups focused on SDGs to innovate and establish themselves

SDG Goals Impacted:

Recommendation 5.1 contributes to achieving UN SDGs: **4. Quality Education** & **17. Partnerships for the goals.**

SDG Goal 4: Quality Education

Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship.

Policy Directive 5.1.3 could contribute to this target by incorporating SDG entrepreneurship in academic curricula at different levels, while also training the workforce and aiding large-scale capacity building. This can eventually help to increase the number of youth and adults who have SDG-focused skills for employment, decent jobs, and entrepreneurship.

SDG Goal 17: Partnership for the goals

SDG 17 focuses on strengthening partnerships to achieve SDGs, and its targets include increasing foreign direct investment, technology transfer, and capacity building. **Policy Directives 5.1.1 and 5.1.2** contribute to this SDG and its targets in the following ways:

Policy Directive 5.1.1: By highlighting and supporting entrepreneurship opportunities in pursuit of SDGs, this Policy Directive can help achieve **Target 17.17** of strengthening the means of implementation and revitalizing the global partnership for sustainable development.

Policy Directive 5.1.2: By identifying and spotlighting key startups/entrepreneurs solving for SDGs across G20 nations, this Policy Directive can help achieve **Target 17.9** of enhancing international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the SDGs.

Policy Directive 5.1.3: By incorporating and encouraging SDG-driven entrepreneurship in educational institutes, this Policy Directive can help achieve **Target 4.4** of substantially increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship.

Policy Directive 5.1.4: By providing early-stage, high-risk, flexible funding for SDG startups to innovate and establish themselves, this Policy Directive can help achieve **Target 17.16** of enhancing the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the SDGs in all countries, in particular developing countries.

Context:

The G20 nations have recognized the importance of entrepreneurship and innovation in achieving the SDGs. Startups and entrepreneurs play a critical role in driving economic growth, creating jobs, and addressing global challenges. To ensure a sustainable pipeline of entrepreneurs in this space, it is important to strengthen awareness of entrepreneurship opportunities, while identifying and spotlighting key startups and entrepreneurs solving for the SDGs.

Increasing the pipeline of SDG-focused entrepreneurs and startups is crucial for achieving SDGs. This can be done by encouraging and supporting youth, women, and underrepresented communities to become entrepreneurs, and by providing them with the necessary resources and funding to start and grow their businesses. Additionally, creating awareness about the importance of SDGs among entrepreneurs and encouraging them to incorporate SDGs into their business models can also help increase the pipeline of SDG-focused startups.

Enabling ecosystem for SDG-focused startups:

The enabling ecosystem for SDG-focused startups in G20 nations is shaped by several factors. Firstly, access to funding is a critical challenge for startups, particularly those focused on social impact. According to a report by the

World Economic Forum (WEF)[5], access to capital is one of the top three challenges facing social entrepreneurs. Secondly, regulations and policies can either enable or hinder the growth of startups. Startups face regulatory challenges, such as complex and time-consuming bureaucratic procedures for setting up a business, obtaining licenses, and compliance requirements. Thirdly, access to talent and resources can be a challenge for startups, particularly those in emerging sectors. A study by the WEF[6] found that startups in emerging sectors such as biotech, clean energy, and AI face a shortage of skilled talent and resources.

Importance of strengthening awareness of SDG entrepreneurship:

Strengthening awareness and reducing entry barriers to entrepreneurship can have a positive impact on the achievement of the SDGs. By highlighting, encouraging, and supporting entrepreneurship opportunities in pursuit of SDGs, with the identification of key sectors and themes, more individuals may be inspired to become entrepreneurs and contribute to the achievement of the SDGs. This can be particularly impactful in sectors such as renewable energy, healthcare, and education, which have the potential to address critical global challenges.

Importance of identifying and spotlighting key startups:

Identifying and spotlighting key startups and entrepreneurs solving for the SDGs can help overcome some of the challenges faced by startups. It can provide them with visibility, credibility, and access to new markets and funding opportunities. Moreover, it can inspire and encourage other entrepreneurs to develop solutions for the SDGs.

Importance of including SDGs in academic curricula:

Including SDGs as part of formal learning at universities will develop the requisite knowledge base for students to consider SDG-focused entrepreneurship. Lack of knowledge is one of the main reasons founders may not consider SDGs as an attractive business pursuit, and this may help ameliorate the same. Further, training the workforce with SDG-centric concepts will help create awareness at multiple levels and provide holistic support to the advocacy efforts. Also, academic infrastructure (labs, machines etc.) may provide the required support for startups to build and test their Minimum Viable Product (MVP) in a cost-effective manner, encouraging more founders to take up the path of SDG-focused entrepreneurship.

High-risk, and flexible funding for startups that are pursuing SDGs

Access to capital is a major challenge for many startups, and this can be particularly acute for those working in areas related to the SDGs. Providing early-stage funding for startups working on SDGs can help to address this gap and support innovative ideas that may have a significant impact on the SDGs.

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[5] WEF (2018) - Official Website
[6] WEF. The Future of Jobs Report 2020

Conclusion:

The G20 nations have recognized the importance of entrepreneurship and innovation for achieving the SDGs. While efforts need to be invested to enable startups already in the SDG space, measures need to be taken to ensure more founders continue to find SDGs as an attractive arena for building their businesses, both in terms of purpose and profitability. Global efforts to evangelize the opportunities in the SDG space could help build a pipeline of startups, in addition to this, spotlighting a few leading SDG-focused startups ensures focus in this area. The inclusion of SDGs in the academic curriculum will further provide knowledge in a formalized manner, shaping new ideas for businesses. Plus, the academic infrastructure can help provide a cost-effective pathway to build and test MVP. Lastly, the provision of early-stage, high-risk, flexible funding for SDG-focused startups will encourage more founders to take up this path.

Policy Directive 5.1.1: Increase awareness about entrepreneurship opportunities in pursuit of SDGs

Means to increase awareness for startups about opportunities in pursuit of SDGs

To implement Policy Directive 5.1.1, it is critical to curate specific initiatives to strengthen awareness for startups with respect to opportunities in pursuit of SDGs. A few of the potential initiatives include:

1. **Collaboration and partnerships**: To strengthen awareness initiatives, collaborations, and partnerships with key stakeholders such as governments, NGOs, and other business entities may be initiated. This could help in sharing knowledge and resources to support startups in identifying opportunities in pursuit of SDGs. For example, the Global Compact Network is a platform that facilitates partnerships and collaborations among businesses, civil society organizations, and governments to advance SDG-focused startups[7].
2. **Awareness campaigns**: Launching awareness campaigns targeted at startups could help in educating them about the opportunities available in pursuit of SDGs. These campaigns can be carried out through social media, conferences, webinars, and other outreach programs. For example, the SDG Action Campaign[8] is a global initiative that aims to raise awareness about SDGs and promote actions toward achieving them.
3. **Capacity building**: Capacity building programs can be initiated to equip startups with the necessary skills and knowledge to identify opportunities in pursuit of SDGs. These programs can include training on topics such as sustainability, social entrepreneurship, and impact investing. For example, the Global Social Entrepreneurship Network (GSEN)[9] offers capacity-building programs to social entrepreneurs in over 40 countries.

[7] Global Compact Network. Official Website
[8] SDG Action Campaign. Official Website
[9] Global Social Entrepreneurship Network (GSEN). Official Website

Empirical data suggests there is a significant need to strengthen awareness initiatives for startups with respect to opportunities in pursuit of SDGs. Among the 18-34 age group, 67% emphasized a focus on environmental sustainability and 58% were highly likely to take actions to maximize social impact and positively impact their communities.

Policy Directive 5.1.2: Identify and spotlight key startups/entrepreneurs solving for SDGs

Identification of startups across G20 nations that are actively contributing towards SDGs, case studies on a few of the leading SDG-focused startups

Policy Directive 5.1.2 aims to identify and spotlight key startups/entrepreneurs solving for SDGs in G20 nations. To action this, the following steps could be taken:

1. **Identify the key SDGs that startups/entrepreneurs are addressing**: The first step is to identify the SDGs that startups/entrepreneurs in G20 nations are focusing on. This can be done by conducting surveys and research to understand the main SDGs that startups/entrepreneurs are addressing.
2. **Develop a screening process**: Once the key SDGs have been identified, a screening process can be developed to identify startups/entrepreneurs that are actively contributing towards the selected SDGs. This process can include criteria such as the scale of impact, level of innovation, and sustainability of the business model.
3. **Identify leading SDG-focused startups/entrepreneurs**: Leading SDG-focused startups/entrepreneurs could be identified, interviews conducted with the founders, and their success stories published.
4. **Host global events and competitions:** Empirical data suggests global events and competitions have been successful in identifying and spotlighting startups that are contributing towards SDGs. For instance, the Hult Prize[10], a global social entrepreneurship competition, has awarded over $100 million in funding to startups that are creating innovative solutions to global challenges. Another example is the Global Social Venture Competition[11], which has supported over 4,000 teams from more than 65 countries since its inception in 1999.
5. **Share case studies**: Case studies on leading startups could be developed to showcase their impact and best practices. These case studies could also be shared with other startups, investors, and policymakers to inspire and encourage similar action.

Empirical data and figures provide evidence for the importance of Policy Directive 5.1.2. The Global Impact Investing Network (GIIN) [12] reported the assets under management in impact investing reached $715 billion in 2019, indicating the growing interest and potential for identifying and supporting SDG-focused startups/entrepreneurs. The GIIN also reported 72% of surveyed impact investors indicated they achieved or

[10] Hult Prize. Official Website
[11] Berkeley IPIRA – Global Social Venture Competition
[12] Global Impact Investing Network. (2020). Annual Impact Investor Survey 2020

exceeded their targeted impact objectives in 2019, demonstrating the effectiveness of impact investing in creating positive social and environmental change.

In a report by the United Nations Development Programme (UNDP)[13], it was estimated that achieving the SDGs would require between $5 and $7 trillion in annual investment, highlighting the need for increased investment in SDG-focused startups and enterprises. A study by the International Finance Corporation (IFC)[14] found that investing in companies that actively contribute to achieving the SDGs can generate financial returns that are comparable to, if not better than, traditional investments. The study analyzed the financial performance of 1,800 companies in emerging markets and found that companies with higher SDG contributions had higher profitability and valuations.

In conclusion, Policy Directive 5.1.2 can be actioned by identifying the key SDGs being addressed by startups/entrepreneurs, developing a screening process to identify leading SDG-focused startups/entrepreneurs and sharing case studies to inspire and encourage action.

Policy Directive 5.1.3: Incorporate and encourage SDGs-driven entrepreneurship for undergraduate and post-graduate educational institutions (including Vocational Training Institutes/Community Colleges/ equivalent)

Incorporating SDG entrepreneurship in academic curricula can help in creating a sustainable ecosystem that supports startups working towards achieving the SDGs. By training the workforce in Vocational Training Institutes/Community Colleges/equivalent and equipping them with the necessary skills, we can create a pool of individuals working towards developing and supporting SDG-focused startups. Also, academic infrastructure can provide a cost-efficient opportunity for founders to build and test their MVPs.

1. **Developing SDG-focused curricula**:

   To incorporate SDG entrepreneurship in academic curricula, universities, and schools could develop specialized courses or programs that focus on SDG entrepreneurship. These courses can be designed to equip students with the necessary skills and knowledge to develop, manage and sustain SDG-focused startups.

[13] United Nations Development Programme. (2017). SDG Investment Needs
[14] International Finance Corporation. (2017). Creating Impact: The Promise of Impact Investing

2. **Collaboration with industry**:

   Collaboration with the industry can provide students with opportunities to work on real-world problems and understand the challenges faced by startups. Industry collaborations can also help in the development of relevant practice-centric course material and provide students with access to resources and mentorship.

3. **Academic infrastructure supporting MVP development for startups**

   Academic infrastructure can play a crucial role in supporting Minimum Viable Product (MVP) development for startups through the leverage of physical labs, maker spaces, machinery, and sophisticated design software. Several academic institutions are leveraged by industry partners to showcase frontier solutions developed by researchers, and startups leveraging academic infrastructure could leverage such collaborative opportunities. By fostering an ecosystem that supports MVP development, academia/educational institutes can help startups achieve early traction and validation, ultimately leading to successful market entry and sustainable growth.

4. **Training the workforce**:

   Training the existing workforce is essential to create a sustainable ecosystem for SDG entrepreneurship. This can be done through specialized training programs and workshops that focus on developing the necessary skills in pursuit of SDGs. This can be done through partnerships with local businesses and social enterprises to provide hands-on experience and skills development, as well as mentoring programs to connect professionals with relevant experts. Training the workforce could help instill a threshold knowledge base in professionals, encouraging them to consider SDG-focused entrepreneurship.

In conclusion, incorporating SDG entrepreneurship in academic curricula and training the workforce can help in creating a sustainable ecosystem that supports startups working towards achieving the SDGs. This Policy Directive can be implemented through collaboration with industry, developing specialized curricula, and integrating SDG entrepreneurship across different levels of education. The benefits of this Policy Directive include creating a pool of skilled individuals, encouraging entrepreneurship and innovation, and enhancing the competitiveness of the workforce.

Policy Directive 5.1.4: Provide early-stage, high-risk, flexible funding for startups focused on SDGs to innovate and establish themselves

SDG-focused startups are essential in achieving the United Nations' 2030 Agenda for Sustainable Development. However, due to a lack of resources, many of these startups struggle to reach their full potential. To address this issue, policymakers could provide early-stage, high-risk, and flexible funding to these startups, which allows them to innovate and establish themselves. The G20 nations have a critical role to play in this regard, as they are home to many SDG-focused startups.

One approach to providing early-stage funding is through impact investing, which is a type of investment that seeks to generate a positive social or environmental impact in addition to financial returns. Impact investors can provide the necessary funding to SDG startups while also ensuring that their investments have a positive impact on society and the environment.

Another approach to providing early-stage funding is through crowdfunding platforms, which allow individuals and organizations to invest in startups in exchange for equity or other forms of rewards. Crowdfunding can provide an alternative source of funding for SDG startups that are unable to secure traditional financing.

Relevance for G20 nations:

The G20 nations are home to many SDG-focused startups and have a critical role to play in providing early-stage funding to these startups. According to a report by the Organization for Economic Co-operation and Development (OECD)[15], the G20 countries not only account for 85% of global GDP but 80% of $CO2$ emissions as well. They also contribute to the bulk of the capital investments in startups. However, most of this investment was directed toward mature startups, and early-stage startups faced a significant funding gap. The provision of early-stage funding would help to bridge this gap and enable more early-stage SDG startups to reach their potential.

Notable examples:

The provision of early-stage funding has been successful in several countries, including the United States, where the Small Business Innovation Research (SBIR) program[16] has provided funding to thousands of small businesses since its inception in 1982. Similarly, the European Union's Horizon 2020 program has provided funding to over 3,000 startups since 2014. One of the main challenges associated with providing early-stage funding is the high-risk nature of investing in startups. Startups are inherently risky, and many fail within the first few years of operation. To mitigate this risk, policymakers must ensure that the funding provided is flexible and can be adjusted based on the startup's progress.

Another challenge is the lack of awareness among investors about the potential of SDG-focused startups. Many investors are focused on financial returns and are unaware of the positive impact that SDG-focused startups can have on society and the environment. To address this challenge, policymakers must raise awareness among investors about the potential of SDG-focused startups.

[15] OECD (n.d.), Venture Capital: Trends & Policy recommendations
[16] Small Business Innovation Research (SBIR) program. Official Website

RECOMMENDATION 5.2

Recommendation 5.2: Support the scalability of startups focused on SDGs across G20 nations

Policy Directives	
Policy Directive 5.2.1	Curate a framework to identify startups focused on SDGs
Policy Directive 5.2.2	Develop a capital inflow framework for startups focused on SDGs including patient capital and options for longer-term grant/debt/equity
Policy Directive 5.2.3	Build a supportive ecosystem for startups focused on SDGs through incubation, mentorship, and knowledge exchange
Policy Directive 5.2.4	Enable networks for market access and trade opportunities for startups focused on SDGs

SDG Goals Impacted

Recommendation 5.2 contributes to achieving UN SDGs: **8. Decent work and economic growth, 9. Industry, Innovation, and Infrastructure & 13. Climate Action**

SDG 8: Decent Work and Economic Growth

Target 8.2: "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors." **Policy Directive 5.2.2** can facilitate commercially scalable technology-led business models, which can lead to innovation and higher productivity, thus impacting this target.

SDG 9: Industry, Innovation and Infrastructure

Target 9.3: "Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets." **Policy Directive 5.2.2**, providing a framework for focused capital inflow for startups working towards SDGs can increase the access of small-scale industrial and other enterprises to financial services and thus help in achieving this target.

Target 9.4: "Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes." **Policy Directive 5.2.2** can facilitate commercially scalable technology-led business models, which can lead to innovation in clean and environmentally sound technologies and industrial processes, thus, contributing to achieving this target.

SDG 13: Climate Action

Target 13.3: "Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning." **Policy Directive 5.2.1**, by curating a framework to identify SDG-focused startups, can promote startups that contribute to capacity on climate change mitigation, and thus contribute to achieving this target.

SDG Goal 17: Partnerships for the Goals

Target 17.6: "Enhance international cooperation on and access to science, technology and innovation, and enhance knowledge sharing on mutually agreed terms". **Policy Directive 5.2.3** can help to promote the sharing of knowledge, expertise, and technology among G20 nations.

Target 17.7: "Promote the development, transfer, dissemination, and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed." The knowledge exchange platform through **Policy Directives 5.2.3 and 5.2.4** can help to foster partnerships among SDG-focused startups, the private sector, and governments.

Target 17.8: "Fully operationalize the Technology Bank and STI (Science, Technology, and Innovation) capacity building mechanism for LDCs by 2017 and enhance the use of enabling technologies in particular ICT". **Policy Directive 5.2.3** can help to enhance the capacity of developing countries to participate in the global knowledge-sharing system.

Context

Investment in impact startups has been on the rise: According to a report by Global Impact Investing Network (GIIN)[17], the global impact investing market size was estimated to be around $715 billion in 2019. The report also states that 88% of impact investors reported meeting or exceeding their financial performance expectations in 2019.

SDG-focused investments are gaining traction: A study by WEF[18] found while the global SDG investing market has more than tripled between 2017 and 2019 to $715 billion, it is still a drop in the ocean compared to the $100+ trillion of total assets under management. Meanwhile, only 50% of the technology needed to achieve net-zero and other SDGs exists – making it difficult to meet any of the UN's SDG targets for 2030. Schroders report[19] on institutional investors found more than 70% of respondents believe sustainable investing will become more important in the next 5 years.

[17] Global Impact Investing Network. 2019
[18] WEF 2022. How can investors help us get to net-zero?
[19] Global Investor Study 2021 -Investing. Schroders, 2020

Barriers to investment in impact startups: Despite the growing interest in impact investing, there are still challenges to investment in impact startups, including a lack of standardization and transparency in impact measurement, and a perceived trade-off between financial returns and impact.

Policies and frameworks can facilitate impact investment: According to a report by the OECD[20], governments can play a role in facilitating impact investment by creating a supportive regulatory and policy environment. For example, policies can promote transparency and accountability in impact measurement, and tax incentives can encourage investment in impact startups.

According to a report by UNCTAD[21], the development of supportive ecosystems can help startups to scale and overcome the challenges they face in accessing capital, building market linkages, and navigating regulatory frameworks. The report highlights the importance of providing access to financing options that cater to the specific needs of startups, such as patient capital and equity financing. Further, a study by the World Bank[22] also emphasizes the importance of supportive ecosystems for the scalability of startups. The report suggests ecosystem support can facilitate access to capital, markets, talent, and technology, which are crucial for startup growth. The report also highlights the role of networks and partnerships in providing startups with market access and trade opportunities.

Overall, the implementation of these Policy Directives can help to create a supportive ecosystem for SDG-focused startups, facilitating their scalability and impact towards achieving the SDGs.

Conclusion:

Policy Directives 5.2.1, 5.2.2, 5.2.3, and 5.2.4 are critical for addressing the funding gap for SDG-focused startups and enabling these startups to scale and contribute to the achievement of the SDGs. By curating a framework to identify promising SDG-focused startups, providing focused capital flow, facilitating handholding through incubation and mentorship, and networks for market access, these Policy Directives can help unlock the potential of SDG-focused startups.

Policy Directive 5.2.1: Curate a framework to identify startups focused on SDGs

Identifying and supporting SDG-focused startups is an essential step toward achieving sustainable development goals. Policy Directive 5.2.1 proposes the curation of a framework to identify and support such startups. This framework is crucial in identifying and nurturing startups that are aligned with the SDGs. This Policy Directive can be implemented by developing a standardized process for identifying SDG-focused startups and creating a database of such startups for easy reference.

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[20] OECD (2019). Financing SMEs and Entrepreneurs 2019: An OECD Scoreboard
[21] UNCTAD (2020). The Least Developed Countries Report 2020: Productive Capacities for the New Decade
[22] World Bank Group Support for Innovation and Entrepreneurship

A report by the UNCTAD[23] titled "Investing in the Sustainable Development Goals: A Blueprint for Private Sector Collaboration" recommends the establishment of an SDG-based certification system for businesses, including startups. The report states that such a certification system will provide a clear and reliable means of identifying businesses that are committed to the SDGs. The report also suggests that governments can take the lead in developing and implementing such a certification system.

Another report by OECD[24] titled "Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard" highlights the importance of identifying and supporting high-growth potential startups. The report states that high-growth potential startups have a disproportionate impact on job creation and innovation. The report also suggests that governments can establish policies and programs that are focused on identifying and supporting high-growth potential startups.

Defining an SDG-focused startup

Defining an SDG-focused startup is a critical dimension to ensure the right cohort of startups benefits from the recommendations of this Taskforce. A draft framework is being proposed in this Policy Paper for further consideration and leverage, as applicable.

Screening Process:

1. **Mission Alignment:** The startup's mission statement and core values must be aligned with the SDGs
2. **Product/Service Offering:** The startup must have a product or service that addresses one or more of the SDGs directly or indirectly
3. **Social/Environmental Impact:** The startup must demonstrate measurable social and/or environmental impact that aligns with the SDGs
4. **Governance and Transparency:** The startup must adhere to ethical business practices and demonstrate transparency in their operations, including financial reporting and social impact reporting

Measurement and Benchmarking Process:

1. **Define Impact KPIs:** Identify key performance indicators (KPIs) that measure the startup's impact on the SDGs

2. **Benchmarking:** Establish a baseline for the KPIs and track the startup's progress over time to measure its impact on the SDGs
3. **Impact Forecasting:** Use impact KPIs and baseline data to forecast the startup's potential impact on the SDGs

[23] https://unctad.org/system/files/official-document/diaepcb2021d1_en.pdf
[24] Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard

Illustrative Methodology for Defining Impact KPIs:

1. **SDG Alignment**: Identify which SDGs the startup's product or service is directly or indirectly contributing to
2. **Theory of Change**: Develop a theory of change that outlines how the startup's product or service will lead to social or environmental impact
3. **Impact KPIs**: Identify KPIs that align with the theory of change and can be used to measure the startup's impact on the SDGs
4. **Data Collection**: Define the data collection methods and tools needed to measure the impact KPIs
5. **Impact Reporting**: Develop a reporting framework to track and report the startup's impact on the SDGs over time

In conclusion, furthering Policy Directive 5.2.1 may lead to a robust framework to identify "SDG-focused startups". Basis the same, such startups could be provided the required enablement to help them scale including capital support, incubation, handholding, networks etc.

Policy Directive 5.2.2: Develop a capital inflow framework for startups focused on SDGs including patient capital and options for longer-term grant/debt/equity

This Policy Directive recognizes that traditional funding models may not be suitable for startups working towards sustainable development and that alternative financing options are needed. While the global venture funding stood at $335 billion[25] for 2020, only $35 billion [26] was invested in SDG-focused startups. Basis this, for every $100 invested only $10 went to SDG-focused startups. One way to implement this Policy Directive is through the creation of impact investment funds that focus on SDG-focused startups. These funds can provide patient capital, which is capital invested with the understanding that it may take longer to generate a return but has a higher potential for impact. Such funds can also provide equity and debt financing that aligns with the long-term goals of the startup.

In addition, governments can also provide support by creating tax incentives for impact investors, encouraging the flow of capital towards SDG-focused startups. This can help attract private sector investment towards these startups, which can in turn help to scale their impact.

[25] Crunchbase (2022). Global Venture Funding And Unicorn Creation In 2021
[26] Dealroom (2022). The State of Impact Startups & VCs

Challenges in implementing this Policy Directive:

One of the main challenges is ensuring that the funding models are sustainable and not dependent on short-term returns. This can be addressed by creating regulations that incentivize long-term thinking and by promoting a culture of impact investing. Another challenge is the lack of standardization in impact measurement, which can make it difficult for investors to assess the impact of their investments. This can be addressed by creating common impact measurement frameworks and standards that can be used by investors and startups alike.

Policy Directive 5.2.2 is an important step towards creating financing options that align with the long-term goals of SDG-focused startups. By leveraging impact investing and creating tax incentives, policymakers can create a supportive environment for startups that are working towards sustainable development. This is important because startups working towards achieving SDGs often require a longer runway to demonstrate impact and generate revenue. Traditional funding options may not be suitable for these startups as they often have a shorter-term focus and may not align with the SDG mission. Patient capital, on the other hand, is a type of investment that provides long-term funding with the expectation of a lower financial return, but a greater social or environmental impact.

In addition to patient capital, there are other financing options that can support the growth and scalability of SDG-focused startups. For example, grant funding can provide much-needed capital to startups in the early stages of development. Debt financing can also be an option for startups that have demonstrated revenue and are looking to scale but may not yet be attractive to traditional equity investors. Finally, equity financing can provide startups with the capital needed to scale rapidly and achieve significant impact. However, it is important to ensure that equity financing options are structured in a way that aligns with the social and environmental goals of the startup.

To implement Policy Directive 5.2.2, governments can work with financial institutions and impact investors to develop new financing models and structures that are better suited to the needs of SDG-focused startups. This can involve the creation of dedicated funds or the development of impact investment guidelines for financial institutions. Governments can also provide tax incentives or other forms of support to encourage investors to provide patient and longer-term financing to SDG-focused startups.

Policy Directive 5.2.3: Build a supportive ecosystem for startups focused on SDGs through incubation, mentorship, and knowledge exchange

As the world faces numerous global challenges, including climate change, poverty, and inequality, there is a growing need for innovative solutions that can address these issues. Startups and entrepreneurs have been at the forefront of developing such solutions. However, they require support and mentorship to ensure their success, particularly those who are focused on achieving the SDGs.

One way to address this need is through the development of a framework that facilitates SDG-centric incubation and mentorship support. Such a framework would provide startups with the resources and support they need to develop innovative solutions that can help achieve the SDGs. Implementing a framework to facilitate SDG-centric incubation and mentorship support would require the involvement of various stakeholders, including governments, academic institutions, and private sector organizations. Some steps that could be taken to implement this Policy Directive include:

1. **Building partnerships**: Governments, academic institutions, and private sector organizations could form partnerships to support SDG-centric incubation and mentorship. Such partnerships could provide startups with access to funding, mentorship, and resources
2. **Developing mentorship programs**: Mentors could be identified from academic institutions, businesses, and government agencies to provide guidance to startups. Such mentorship programs could include workshops, training, and networking events

There exist notable examples of SDG-centric incubation and mentorship support being implemented in G20 nations. For instance, in Canada, the Impact Centre at the University of Toronto has established a mentorship program[27] that provides startups with access to experienced entrepreneurs, investors, and industry experts. Similarly, in Germany, the Federal Ministry for Economic Affairs and Energy has launched the "Gründerland" initiative"[28], which provides startups with access to funding, mentorship, and resources. Success stories of SDG-centric incubation and mentorship support programs include the "Green Challenge" program in the Netherlands[29], which has supported several startups that are focused on addressing environmental challenges. Another success story is the "Startup Chile" program[30], which has supported several startups that are focused on achieving the SDGs.

The biggest challenge faced by such programs is the lack of awareness and resources available for startups to access mentorship and funding opportunities. Therefore, the framework to facilitate SDG-centric incubation and mentorship support should be designed to address these challenges by creating awareness and providing startups with the resources they need to succeed.

The implementation of a framework to facilitate SDG-centric incubation and mentorship support is crucial in providing startups with the resources and support they need to develop innovative solutions that can help achieve the SDGs. Several G20 nations have already implemented such programs, and their success stories provide valuable insights into how such programs can be implemented by other countries. However, challenges remain, and efforts could be made to overcome them by creating awareness and providing startups with relevant resources.

[27] University of Toronto. Official Website
[28] Federal Ministry for Economic Affairs and Energy. Germany. Official Website
[29] Green Challenge program. Official Website
[30] Startup Chile. Official Website

Policy Directive 5.2.4: Enable networks for market access and trade opportunities for startups focused on SDGs

Policy Directive 5.2.4 aims to facilitate networks for market access and trade opportunities for SDG-focused startups. To implement this Policy Directive, G20 nations could work on establishing platforms for startups to connect with potential partners, customers, investors, and government agencies. They could also promote the sharing of best practices and knowledge exchange among startups to help them overcome market entry barriers and increase their competitiveness in the global market.

According to a report by the International Trade Centre (ITC)[31], access to market information and knowledge about regulations, standards, and procedures are essential for startups to successfully enter new markets. The report suggests that by providing market intelligence and training to startups, governments can increase their chances of success in international trade. Additionally, networks and partnerships between startups and larger companies can lead to market access opportunities and facilitate knowledge transfer.

Creating SDG startups' knowledge exchange platform

A knowledge exchange platform for G20 nations' SDG-focused startups could be institutionalized, which would accelerate sharing of best practices and experiences, eventually leading to cross-border Proof of Concepts, market access, and trade opportunities.

Success Stories

One successful example of facilitating networks for market access and trade opportunities is the World Bank's Entrepreneurship Program for Innovation in the Caribbean (EPIC)[32]. The program helps startups access new markets by connecting them with potential partners and investors, providing market intelligence and training, and offering mentorship and networking opportunities. Through the program, startups have been able to expand their businesses and increase their revenues.

However, challenges exist in implementing this Policy Directive, such as the lack of coordination between government agencies and private sector organizations, limited resources for startups to access new markets, and regulatory barriers. G20 nations could work towards addressing these challenges by promoting inter-agency cooperation, providing funding for market access initiatives, and advocating for policies that reduce regulatory barriers.

In addition to the Policy Directive of facilitating networks for market access and trade opportunities, it is also important for G20 nations to prioritize the development of infrastructure and digital connectivity. As SDG-focused

[31] International Trade Centre (ITC). (2021). Trade and Market Intelligence
[32] World Bank. (n.d.). Entrepreneurship Program for Innovation in the Caribbean

startups continue to emerge and grow, having access to reliable and efficient infrastructure and digital platforms will be crucial for their success. This can include investments in broadband connectivity, digital payment systems, and transportation infrastructure, among other areas.

Furthermore, G20 nations can also consider developing policies and initiatives that incentivize large corporations to work with SDG-focused startups. This can include measures such as tax incentives or procurement programs that prioritize working with startups that have a clear focus on sustainability and the SDGs. By creating an environment that encourages collaboration between established companies and innovative startups, G20 nations can help accelerate progress toward achieving the SDGs while also driving economic growth and innovation.