SU20
SOUTH AFRICA 2025

Finance and Investment

G20 SOUTH AFRICA 2025

The recommendations, actions, and initiatives proposed in this paper present a comprehensive framework to significantly strengthen startup ecosystems across South Africa, the African continent, and the wider G20. These ambitious proposals offer a strategic roadmap for G20 leaders to foster entrepreneurship and drive innovation-led economic growth globally. While Startup20 acknowledges that, given the current international context, some proposals may be challenging to implement, this framework nonetheless provides a valuable overview of key actions to enable startup and MSME ecosystems to grow and thrive across G20 countries.

The successful development of this Policy Paper has been made possible through the dedicated efforts and collaboration of the Department of Small Business Development (DSBD), The Department of Science, Technology and Innovation and the Startup20 South Africa Secretariat at 22 On Sloane, together with the invaluable contributions of the **Finance and Investment** Task Force Members and Knowledge Partners.

Table of Contents

Foreword

We have embarked on a journey of **active advocacy for the provision and access to finance** on behalf of the small and medium enterprises ("SME" s or "MSME" s) in the G20. The persistent shortfall of capital flow from the custodians of capital to Micro, Small and Medium Enterprises (MSMEs) has created exclusionary investment processes and stagnate economic growth.

Public policy implementation and the sacredness of sovereignty are a delicate balance that can be struck through a **collaborative multinational policy framework** and implementation. The cross-border financing models combined with alternative funding policy frameworks, ESG and gender parity are key to prioritising sustainable economic stability and growth.

Across the G20, we all agree that SMEs are the backbone of our economies but unless we **radically rethink how we structure finance and investment** for them, we're holding back their full potential. In my experience working with high-growth entrepreneurs across emerging markets, the problem is not a lack of ambition or innovation; it's a mismatch between capital and reality. Traditional financing models often assume certainty, collateral, or scale things most early-stage businesses do not yet have. We need instruments, incentives, and intermediaries that reflect the risk, reward, and runway of growing a business from the ground up.

This SU20 policy paper is a call to action: to **shift from abstract support to structural solutions**. That means smarter risk-sharing models, better-aligned incentives between finance ministers, investors and founders and more dynamic pathways for capital to flow where it's needed most. If we want resilient, job-creating, future-facing economies, we must stop treating SMEs as a category to support and start designing financial systems that are built around their success. This policy paper is a starting point to leave a legacy that catalyses the much-needed economic growth across all G20 member states.

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Policy Glossary

Abbreviation	Definition
Algorithmic Bias	Untested or prejudiced outcomes arising from automated investment or risk algorithms, requiring regular audit [11].
AML	Anti-Money Laundering: policies and procedures to detect and prevent financial crimes, required in regulated financial environments [2].
Blended Finance	Financing structure combining public, private, and philanthropic capital to reduce risk and mobilise investment in emerging markets [3].
Community-Based Finance	Local models (like SACCOs, ROSCAs, VSLAs) for savings, credit, and financial inclusion, often outside formal banking [8].
DFI	Development Finance Institution: national or multilateral agency that provides finance for development projects, often targeting underserved sectors [8].
Diaspora Investment	Capital sourced from expatriate communities, often targeted back into origin countries for development [3].
Digital Impact Dashboard	Platform for real-time tracking of financial flows, policy outcomes, and compliance monitoring [14].
Early-Stage Finance	Capital aimed at young enterprises (pre-seed, seed, Series A) prior to sustainable commercial operations [11].

ESG	Environmental, Social, and Governance: measurable standards used by investors and regulators to assess ethical, sustainable, and strategic outcomes [3].
First-Loss Capital	Risk-reducing tranche of blended finance, absorbing initial losses to attract private and institutional investment [3].
Fund-of-Funds Model	Investment vehicle pooling resources from multiple funds to diversify risk and amplify capital deployment [6].
G20	The Group of Twenty: an international forum of major economies for global financial and economic governance [2].
Gender Parity Mandate	Requirement in portfolio management for minimum representation (e.g., 30%) of women-led or gender-diverse ventures [3].
GSEF	Global Start Up Economy Fund: aggregated public and private capital fund, piloted across G20, to support global startup growth [3].
KYC	Know Your Client: global regulations for identity verification to prevent fraud, money laundering, and illicit finance [2].
MSME	Micro, Small and Medium Enterprises: businesses with limited personnel and turnover, vital for job creation and growth [8].
Outcome-Based Incentive	Mechanism linking financial rewards (e.g., grants, tax cuts) to verified achievement of policy objectives [13].

Regulatory Sandbox	Controlled environment for fintech or policy innovation where new models are tested under regulator guidance [12].
Rosca/VSLA/SACCO	Savings and Credit Cooperative Organisations, rotating savings groups, and village-based lending clubs, central to community-based finance models [8].
SDG	Sustainable Development Goals: 17 UN-defined global targets, guiding all policy recommendations [1].
SMME	Small, Medium, and Micro Enterprises: often used interchangeably with MSME, especially in the Global South [8].
SU20	South Africa's G20 Presidency Taskforce, convening stakeholders for actionable policy frameworks [1].
Tax Incentive Framework	Policy design linking tax relief with specific, measurable outcomes such as job creation, innovation, or ESG compliance [13].
Tokenised Assets	Digital representation of physical goods or income streams (e.g., land, crops, revenue) using blockchain for fractional ownership and transparent recordkeeping [8].
Venture Capital (VC)	Institutional or private investment funds targeting high-growth startups and innovation ventures [11].

Executive Summary

Finance as Justice – Unlocking Capital for MSMEs in Developing Economies

SU20 Task Force on Finance and Investments

Micro, Small, and Medium Enterprises power over 80% of employment and contribute half of GDP in developing economies. Despite their centrality to inclusive growth, these enterprises remain excluded from capital markets, facing systemic financing barriers across G20 nations. The Startup20 Task Force on Finance and Investments, under South Africa's 2025 G20 Presidency, proposes a comprehensive policy framework to restructure global financial systems and democratise capital access.

This framework advances four strategic priorities designed to close the estimated $1.7 trillion MSME funding gap and accelerate progress toward the Sustainable Development Goals:

1. **Diversify capital instruments** by scaling blended finance vehicles, tokenised assets, and community-based bonds. Deploy innovative financial products that reflect local realities and unlock alternative collateral models to expand access beyond urban cores.
2. **Reform regulatory architectures** through tiered KYC and AML frameworks, cross border regulatory passports for fintech innovation, and localised innovation sandboxes. Regulatory modernisation will reduce friction costs and enable faster capital deployment to underserved communities.
3. **Embed inclusive ESG** standards with context specific metrics and blockchain based impact tokens. Launch OpenESG frameworks to track informal economy contributions and incentivise sustainable investment pathways that respect local development priorities.
4. **Ensure equitable allocation** by mandating 30% gender and regional quotas in DFI and venture capital portfolios. Audit algorithms for bias and institutionalise transparency mechanisms to correct historical underinvestment in women led, youth led, and rural ventures.

Summary of recommendations and summary actions:

- **Recommendation 1: Global Tax Incentive Framework**
    - Action 1.1: Launch the G20 Startup Investment Framework
    - Action 1.2: Build Blended Finance Vehicles for Underserved Markets
    - Action 1.3: Establish Digital Impact Tracking Dashboards

- **Recommendation 2: Leveraging Tokenised Assets and Community-Based Finance for SME and Rural Development**
    - Action 2.1: Establish Clear Legal Frameworks and Sandboxes for Tokenised Asset Innovation
    - Action 2.2: Digitise and Strengthen Community-Based Finance Models
- **Recommendation 3: Global Start Up Economy Fund**
    - Action 3.1: Capitalisation of the Global Start Up Economy Fund
    - Action 3.2: Define Mandate and Pilot Fund of Funds
    - Action 3.3: Technical Assistance
    - Action 3.4: Achieve 30% Gender Parity by 2030
    - Action 3.5: ESG and Impact Practical Implementation Execution Framework
- **Recommendation 4: Global Start Up Economy Fund**
    - Action 4.1: Launch Startup Success Guidelines and Compliance Relief Programs
    - Action 4.2: Digital Enablement and Business Development Support
    - Action 4.3: Enforce Inclusion and Diversity Benchmarks in Startup Financing and Procurement
    - Action 4.4: Establish Policy Innovation Labs and Global Knowledge Hub.

The SU20 Task Force recommends the G20 adopt a Global Startup Investment Tax Incentive Framework (GSIP) to unlock early-stage capital especially in underserved regions through harmonised, outcomes-linked tax incentives, digital transparency, and blended finance, fostering inclusive innovation and measurable impact across emerging economies.

This agenda is urgent and transformative. Without action, outdated financial systems will perpetuate exclusion for billions. With collective commitment, the G20 can unlock a trillion-dollar wave of innovation, jobs, and economic justice. Aligned with G20 priorities on inclusive growth and digital transformation, this blueprint transforms finance from a gatekeeper into a global equaliser.

The time to act is now.

Yours in service – SU20 for G20 South African Presidency.

Introduction

Startups require financing not merely to survive but to build new industries, drive green transitions, and enable digital inclusion. Yet persistent capital constraints prevent millions of innovative businesses from scaling their impact. According to OECD data, over 50% of startups cite financing as their primary obstacle. In sub–Saharan Africa, less than 5% of startups reach Series A funding. Women led startups receive less than 2% of global venture capital. Without decisive action, these ventures will remain locked out, preventing them from contributing meaningfully to global development goals.

Financing for innovation must respond to current realities. Startups in emerging economies, informal sectors, and rural communities operate under different constraints than those in high income settings. Traditional financing mechanisms like bank loans or equity deals are often unsuitable for high risk, low asset early-stage ventures. Innovative funding mechanisms, including blended finance, alternative capital structures, community financing, and impact investment, are required to unlock potential at scale.

Problem Statement

Despite their central role in job creation, economic growth, and innovation, MSMEs in G20 member states remain chronically underfinanced Capital flows are impeded by outdated regulatory models, risk aversion, and a lack of adaptable financial instruments. Without urgent systemic reform, MSMEs and startups will continue facing exclusion from formal investment networks, perpetuating cycles of informality, geographic inequity, and missed opportunities for digital and green transitions.

Key challenges and Opportunities:

- **Access to finance** remains one of the most critical barriers to startup and MSME success globally. Limited access to formal financial systems, risk averse capital markets, and a lack of targeted financial instruments leave early-stage startups vulnerable, particularly in the pre seed to Series A funding stages. Less than 5% of African startups secure Series A funding. Women founders receive just 2% of global venture capital. Meanwhile, 65% of MSMEs in Latin America rely on personal savings, perpetuating cycles of informality.

- **Archaic regulatory regimes** stifle innovation. Outdated securities laws, designed for industrialised economies, create barriers for emerging market innovators. A farmer in Kenya cannot tokenise her land. A weaver in Bangladesh faces $1,000 crowdfunding caps. A Colombian cleantech startup drowns in $50,000 annual ESG compliance costs.
- **Investor Myopia:** compounds these challenges. Development finance institutions deploy $80 billion annually, yet less than 5% targets pre revenue startups. Private capital circulates in well-resourced urban hubs, leaving rural innovators and informal sectors underserved.

Three Structural Gaps

First, financial exclusion persists. Less than a quarter of startups and small enterprises access formal early-stage finance. Women led and rural ventures face the most severe exclusion. Capital remains concentrated in mature markets and established urban centres, resulting in stark underinvestment in geographically or demographically marginalised sectors.

Second, fragmented and outdated regulation impedes capital flows. Outmoded regulatory systems, especially in securities law, licensing, KYC, and AML protocols, prevent flexible and timely capital flows. These systems frequently exclude innovative models like tokenisation, blended finance, or alternative collateral frameworks.

Third, ineffective policy incentives and measurement perpetuate inequality. Rigid, input focused incentives like tax relief and credit guarantees often subsidise scale rather than impact. The absence of real time, transparent impact tracking leads to misallocation of resources, minimal accountability, and persistent regional or demographic funding gaps.

These factors, compounded by macroeconomic turbulence, digital divides, and minimal ESG integration in entry level finance, perpetuate global inequality in innovation and entrepreneurship.

Policy Objectives

The SU20 Finance and Investment Taskforce proposes a multi-dimensional policy program focused on harmonised tax incentives, blended finance, tokenised asset pilots, digital impact tracking, and robust mechanisms for cross sector collaboration and accountability. A holistic G20 strategy must enable financing mechanisms that reflect local needs, integrate digital technologies for transparent fund flows and impact measurement, coordinate regulatory and policy frameworks to reduce friction, and actively correct gender, geographic, and informality related exclusions.

Evidence Base and Validation

The four recommendations outlined in the Finance and Investment policy paper are anchored in an integrated evidence base, validated through internationally recognized research and consultation practices.

MSMEs in G20 countries, especially startups led by women and youth and those in underserved regions, face persistent underfinancing and exclusion from formal capital networks. Major constraints include outdated regulations, systemic risk aversion, and inflexible financial instruments. Peer-reviewed studies, globally harmonized datasets, and stakeholder consultations confirm these issues span both developed and emerging economies. Without systemic reform, digital and green transitions will remain inaccessible to much of the entrepreneur ecosystem.

Recommendation 1: Global Tax Incentive Framework: The World Bank and IFC's March 2025 MSME Finance Gap Report identifies a $5.7 trillion shortfall for 119 emerging economies, rising to $8 trillion when informal enterprises are considered. Evidence shows 70% of MSMEs lack access to adequate financing, with women-owned businesses facing a $1.9 trillion gap (34% of total). Surveys of 247 South African providers and consultations in three major cities validated the urgent need for tax-based incentives, confirming market demand and practical feasibility. Global Investment Support Alliance monitoring across 13 jurisdictions demonstrates that risk mitigation techniques and catalytic capital boost investor involvement and lower overall risk.

Recommendation 2: Leveraging Tokenised Assets and Community-Based Finance: Recent peer-reviewed research in SSRN and SME Finance Forum studies show that tokenisation of SME assets decreases intermediation costs and increases transparency. Swiss pilot cases, such as RealUnit, report a 10% increase in share capital in a single year due to tokenized equity adoption. Fractional ownership and blockchain tracking have improved access and confidence for informal sector actors. These findings are reinforced through field pilots undertaken in Latin America, Africa, and Asia.

Recommendation 3: Inclusive ESG and Equitable Allocation: British International Investment's portfolio review and IFC studies of gender equity in investment funds demonstrate higher financial returns where leadership teams are gender-diverse.

Regulatory sandbox impact studies from the Bank for International Settlements, and Blockchain ESG data from PwC, show that transparent sustainability metrics and diversity benchmarks are feasible and deliver measurable benefits. Validation workshops confirm that both private sector investors and government-linked entities support these shifts for sustainable, inclusive capital allocation.

Recommendation 4: Global Start Up Economy Fund: Evidence for this recommendation draws on both international benchmarking and localized pilot experience. Global studies and taskforce consultations show that “Startup Success Guidelines,” compliance relief measures, and digital enablement programs significantly boost survival rates for early-stage ventures. Integrated business development support and knowledge sharing via Policy Innovation Labs raise cross-border startup performance. Diversity benchmarks in both financing and procurement foster more equitable participation while facilitating policy learning through regional hubs. Implementation validation is supported by success cases tracked through World Bank and UNIDO knowledge platforms, and global entrepreneurship networks.

This comprehensive, multi-method evidence base ensures all policy actions in the paper are fully aligned with G20 best practice and tested across diverse contexts for reliability and impact.

Recommendation 1: Global Tax Incentive Framework

Executive Summary

Despite startups being key drivers of innovation and inclusive economic growth, global early-stage funding remains uneven and heavily concentrated in mature markets. By replicating and harmonising successful policy pilots from South Africa, Brazil, and India, the G20 can create a scalable, outcomes-based investment environment for innovators in all contexts.

The SU20 Task Force recommends that the G20 collectively adopt a Global Startup Investment Tax Incentive Framework (GSIP) to unlock early-stage capital, especially in underserved regions, through harmonised, outcomes-linked tax incentives, digital transparency, and blended finance. This framework aims to foster inclusive innovation and measurable impact across emerging economies.

Building on South Africa's 12J legacy and integrating critical lessons from Brazil's and India's Startup20 presidencies, the proposal aims to foster inclusive, high-impact, and measurable startup investment across all G20 nations.

We propose that G20 nations collectively adopt and pilot the **Global Startup Investment Policy (GSIP)** over a three-year period (2026–2029), supported by a **Multilateral Startup Task Force** for policy harmonisation, technical assistance, and outcome benchmarking.

Strategic Priorities:

1. **Finance Startups, Not Tax Shelters**: Outcomes-linked tax relief based on ESG, jobs, and innovation metrics.
2. **Measure Jobs, Transformation, and Geography Not Just Capital Raised**: Local impact over headline figures.
3. **Leverage Government Finance to De-Risk Early-Stage Bets**: Expand blended finance tools and fund-of-fund models.
4. **Bring Transparency and Investor Trust Through Digital Tracking**: Centralised dashboards for fund flows and impact.

Context

Tax incentives for startups and MSMEs remain fragmented across G20 economies. Most existing schemes favour high revenue firms, mature industries, or large-scale employers. They rarely target pre revenue innovation, informal sector transformation, or social impact enterprises. Research by the IMF indicates that poorly designed tax incentives cost governments over $100 billion annually without measurable job creation or innovation outcomes.

Coordination across G20 member states can harmonise approaches to maximise impact. A unified framework would remove distortions, encourage cross border innovation, and channel fiscal policy toward underserved founders and regions. This recommendation proposes globally standardised tax incentives tied to measurable outcomes including job creation, technology transfer, gender parity, and climate targets

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution
Tax Incentive Cost-Benefit Multiplier (Economic Output Ratio) – return on every incentive dollar spent	1.5:1	2.3:1	3:1	IMF Tax Expenditure Database	National Treasuries / Development Finance Institutions
Share of Startups Benefiting from Tax-Linked Early-Stage Finance Mechanisms	22%	50%	75%	OECD Inclusive Frame work Innovation Database	Startup20 Secretariat
Proportion of Capital Reaching Rural and Secondary City Enterprises (Regional Equity Index)	21%	40%	60%	World Bank SME Finance Data Portal	UNDP Regional Inclusive Markets Initiative
Startups with ESG / Youth / Women-Led Founders Supported through Tax Credits (%)	26%	45%	60%	UN Women Financial Inclusion Index	G20 Inclusion and Sustainability Taskforce
Adoption Rate of Digital Tax Reporting Dashboards across G20 Members	30%	75%	100%	OECD Digital Economy Tax Unit	G20 Digital Public Infrastructure Forum
Government Co-Investment Rate in Early-Stage Venture Capital Funds	10%	25%	40%	OECD Venture Capital Outlook Report	G20 Finance and Investment Taskforce

The following actions to be undertaken enable implementation of the policy recommendation:

Detailed Actions

Action 1.1: Launch the G20 Startup Investment Framework

Summary: Develop and implement a globally coordinated, nationally adaptable startup investment policy with ESG-linked tax incentives, focused on inclusion, job creation, and local innovation. Deploy co-investment structures where public capital de-risks private venture capital, especially for youth, women, and rural-led ventures. This action is critical to shifting investment toward more inclusive entrepreneurship in underserved communities.

Background: Evidence from South Africa's Section 12J Venture Capital Company model and India's SIDBI Fund of Funds demonstrates that fiscal-linked venture models accelerate early-stage capital formation but lose scalability when implemented as isolated national instruments. Lack of standardised metrics, ESG alignment, and cross-market integration has fragmented results. A unified G20 Startup Investment Framework (GSIF) consolidates these learnings into a globally consistent, regionally customisable policy platform with shared data standards and transparent investment benchmarking.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
G20 countries that adopt a national Startup Investment Framework aligned with ESG and SDG principles (number)	0	10	20	OECD Investment Directorate	G20 Finance Track Secretariat
Aggregate capital mobilised through public-private co-investment under the G20 Startup Framework (USD billion per year)	5	60	150	World Bank / OECD Finance and Entrepreneurship Unit	G20 Investment Task Force
Proportion of ventures funded that are women-, youth- or underserved community-led enterprises (%)	15	25	35	UN Women and UNDP Inclusive Growth Lab	G20 Inclusion and Sustainability Task Force
Share of G20 startup investments reporting ESG and SDG impact metrics in line with the GSIP toolkit (%)	0	80	100	G20 SFWG Impact Measurement Consortium	G20 Sustainable Finance Working Group
Cumulative number of jobs and enterprises created through G20 Startup Investment Framework interventions (millions)	0.2	4	8	ILO Jobs Tracker	G20 Employment Working Group
SACCOs with formal credit-scoring or reporting tools (%)	5%	15%	20%	World Bank, International Labour Organisation	FinMark Trust, Savings Groups Alliance

Implementation Approach:

- Adopt a standardised global GSIP toolkit (Appendix C).
- Require member states to customise tax codes to include impact-linked relief.
- Pilot national digital reporting portals (Appendix D templates).
- Mobilise public finance to match private capital at fund level.
- Target indicators include reducing the effective tax rate on early-stage investment returns from 25% to 15% in participating countries, increasing venture capital allocations to underserved markets by 40%, and ensuring 30% of incentive beneficiaries are women or youth led enterprises.

Roles and Responsibilities:

- **G20 Presidency**: Oversight and reporting mandate.
- **Local Governments**: Tax code customisation and compliance.
- **Multilateral Task Force**: Benchmarking and toolkit support.
- **Private Sector**: Fund setup, co-investment, job tracking.

Risks and Mitigation:

- **Policy abuse**: Tax shelters. **Mitigation**: Digital dashboards + outcome thresholds.
- **Inequitable Access:** Urban and male entrepreneurial bias.
  Mitigation: Introduce rural equity bonuses, gender mainstreaming quotas, and performance-based tax credits.
- **Operational Complexity:** Limited uptake due to regulatory burden. **Mitigation**: Deploy unified portal interfaces, streamlined application processes, and capacity bu ilding for national authorities.

Action 1.2: Build Blended Finance Vehicles for Underserved Markets

Summary: Blended finance combines public grants, concessional loans, and private capital to de-risk investments in frontier markets. This action establishes catalytic funding vehicles in each G20 region, targeting women led startups, rural enterprises, and climate technology innovators.

Each vehicle will deploy a minimum of $500 million annually. Public finance will absorb first loss positions up to 20% of portfolio value. Risk weighted capital allocation will incentivise private investors to deploy patient capital in high impact, underserved sectors.

Background: India's SIDBI model and Brazil's rural-focused blended pilots demonstrate how public funds can unlock private sector confidence. These structures must now scale across LMICs with standardised design.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
G20 countries establishing national blended finance frameworks or vehicles for underserved markets (number)	0	10	20	OECD Development Co-operation Directorate	G20 Finance Track Secretariat
Total capital mobilised through G20 blended finance facilities (USD billion)	3	50	120	World Bank & BIS Innovation Hub	G20 Investment Task Force
Private to public capital mobilised through G20 blended finance vehicles (ratio)	1:1	3:1	5:1	IFC / OECD Blended Finance Principles Monitor	UNDP SDG Impact Facility
Proportion of fund beneficiaries that are SMEs, women-, youth- or rural-led enterprises (%)	20	30	40	UN Women and UNDP Inclusive Growth Lab	G20 Inclusion and Sustainability Task Force
Share of G20 blended finance vehicles adopting standardised ESG and impact reporting frameworks (%)	10%	60%	100%	G20 SFWG Impact Measurement Consortium	G20 Sustainable Finance Working Group
Enterprises financed and jobs created through G20 blended finance interventions (number of millions)	0.3	5	10	ILO Jobs Tracker / World Bank Jobs Platform	G20 Employment Working Group

Implementation Approach:

- Create regional G20-endorsed fund-of-fund platforms.
- Use ESG-linked return tiers to attract mission-aligned capital.
- Encourage sovereign and diaspora funding flows via pooled VC structures.
- Explore incentive structures to unlock corporate balance sheet strength to drive investment into startups.
- Target indicators include mobilising $10 billion in blended finance for early-stage ventures by 2030, ensuring 40% of capital flows to women and youth led enterprises, and achieving a minimum 15% IRR for private investors while maintaining social impact integrity.

Roles:

- **MDBs/DFIs**: Anchor funding and governance support.
- **G20 Member States**: Regulatory clarity and fund licensing.
- **Startup Hubs**: Pipeline development and due diligence.

Risks and Mitigation:

- **Capital crowd-out**: private sector withdrawal. **Mitigation**: Match-only (not over-subsidised) models.
- **Pipeline readiness**: underperforming startups. **Mitigation**: Venture support services and incubator partnerships.

Action 1.3: Establish Digital Impact Tracking Dashboards

Summary: Real time, transparent impact tracking enables evidence-based policy adjustments and investor confidence. This action creates open access digital platforms displaying fund flows, demographic data, employment outcomes, and environmental metrics at the enterprise level.

Platforms will leverage blockchain based verification systems and API integration with national tax authorities, banking systems, and regulatory agencies. Data will be anonymised and aggregated to protect enterprise confidentiality while enabling accountability.

Background: India's call for digital traceability and Brazil's emphasis on transparency reflect a broader trend towards real-time, open-access compliance tools. These reduce abuse and build investor confidence.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
G20 countries deploying national digital impact dashboards integrated with open data portals (number)	0	10	20	OECD Digital Government Division	G20 Digital Eco nomy Task Force
Proportion of dashboards aligned wit h G20 Data Gaps Initiative (DGI-2) and SDG indicator framework (%)	10	70	100	FSB / IMF Statistics Department	G20 Finance Track Secretariat
Share of G20 dashboards linking finance, employment, and inclusion data for underserved markets (%)	5	50	100	World Bank Data Lab	G20 Investment Task Force
Real-time indicators regularly updated on G20 digital impact platforms (number)	0	50	150	UN Global Pulse / ITU Digital Development Bureau	G20 Sustainabl e Finance Working Group
Policy reports and investment decisions informed by dashboard data per year (number)	0	100	250	G20 Policy Support Facility	G20 Finance and Digital Task Force
G20 countries deploying national digital impact dashboards integrated with open data portals (number)	0	10	20	OECD Digital Government Division	G20 Digital Economy Task Force

Implementation Approach:

- Co-develop dashboard templates with G20 Digital Economy Working Group.
- Mandate startup registration and KYC within platforms.
- Integrate geographic and demographic filters (e.g., women/youth-led, sector, region).
- Target indicators include launching dashboards in at least 10 G20 countries by 2027, tracking impact data for over 100,000 MSMEs annually, and publishing quarterly reports accessible to policymakers, investors, and civil society.

Roles:

- **SU20 Secretariat**: Standardisation of templates.
- **National Tech Partners**: Platform development and maintenance.

- **Tax Authorities**: Monitoring and audit protocols.

Risks and Mitigation:

- **Privacy concerns**: investor data misuse. **Mitigation**: Encryption and anonymised reporting.
- **Digital access gaps**: Rural exclusion. **Mitigation**: Offline/USSD-enabled registration paths.

Governments will integrate dashboard data into fiscal policy reviews and budget cycles. Civil society organisations will use data to advocate for inclusive allocation. Investors will reduce due diligence costs and improve portfolio construction using verified impact data.

The Global Startup Investment Policy is not just a tax reform it is a **systemic shift in how the G20 enables inclusive innovation**. By piloting this unified yet flexible framework over three years, we can unlock capital, measure what matters, and build the future one inclusive startup at a time.

Recommendation 2: Leveraging Tokenised Assets and Community-Based Finance for SME and Rural Development

Tokenised assets and digital community finance models are transforming how value is created and exchanged in underserved communities. By digitising agricultural produce, infrastructure, land rights, and community investments, small-scale and rural actors can access new forms of liquidity, investor pools, and programmable financial services, including through blockchain-backed systems.

Community-based savings and lending (e.g., Savings and Credit Cooperative Organisations (SACCOs), Rotating Savings and Credit Associations (ROSCAs), and informal savings groups) are deeply embedded and trusted in these contexts. However, their growth and resilience are constrained by informality, a lack of digital capacity, and limited access to scalable capital. This recommendation supports the G20 and Startup20 agendas on financial inclusion, SME competitiveness, digital public infrastructure, and equitable rural development through the following **policy proposals**:

- Develop national and regional regulatory frameworks for the **issuance and governance of tokenised assets**.
- Establish **regulatory sandboxes** for pilot testing tokenised agriculture and infrastructure finance models.
- **Formalise, digitise, and fund community-based financial organisations** through technical assistance and public-private partnerships.

Without decisive action to formalise and digitise these solutions, millions of rural and informal entrepreneurs will remain excluded from the next wave of global finance and market opportunity. These reforms support the G20's priorities on inclusive finance, innovation, and rural SME development in the Global South.

Context

Traditional capital markets exclude billions of entrepreneurs due to high entry costs, illiquidity, and geographic barriers. Tokenised assets, enabled by distributed ledger technologies, democratise investment by allowing fractional ownership, instant settlement, and programmable compliance.

Community based finance models including rotating savings associations, microfinance cooperatives, and peer to peer lending have historically served excluded populations. Digitising these models enhances transparency, reduces transaction costs, and expands reach.

This recommendation proposes legal clarity for tokenisation, regulatory sandboxes to pilot innovation, and digital infrastructure to scale community finance. Combined, these interventions unlock trillions in previously inaccessible capital.

Policy innovations in tokenisation and digitisation can enable SMEs and rural entrepreneurs to convert illiquid assets into investable forms, tap broader investor pools, and access credit on fairer terms. This approach supports financial inclusion, impact measurement, and the broader G20 goals for resilient, technology-driven development.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
SMEs using tokenised assets to access finance (number)	0	600	1,000	World Bank, International Finance Corporation	Startup20 Secretariat, African Development Bank
Agriculture-linked financial products tokenised (%)	<1%	7%	10%	Food and Agriculture Organisation, UNCTAD	G20 Agriculture Innovation Task Force
Regulatory sandboxes established for tokenisation (number)	2	6	10	Financial Sector Conduct Authority (South Africa), Central Bank of Kenya	G20 Digital Public Infrastructure Working Group
Rural adults participating in a formalised SACCO (%)	12%	20%	25%	African Union Development Agency (AUDA-NEPAD), UNDP	Ministries of Finance and Cooperative Development
Community-based finance groups digitised (number)	1,000	3 000	5,000	National Treasury (South Africa), African Development Bank	National Association of Stokvels of South Africa (NASASA)
SACCOs with formal credit-scoring or reporting tools (%)	5%	15%	20%	World Bank, International Labour Organisation	FinMark Trust, Savings Groups Alliance

Action 2.1 Establish Clear Legal Frameworks and Sandboxes for Tokenised Asset Innovation

Summary:

Develop legal and regulatory recognition for tokenised assets (e.g., crops, infrastructure, land rights) and pilot smart contract-based lending via regulatory sandboxes in selected regions.

Implementation:

- Define legal recognition of tokenised assets (e.g., crops, equipment, land rights).
- Pilot smart contract-based lending platforms through sandboxes in South Africa, Kenya, and India.
- Ensure that token issuers, custodians, and platforms meet risk and disclosure standards.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
G20 countries adopting comprehensive legal and regulatory frameworks for tokenised assets (number)	3	15	20	IMF / FSB Joint Secretariat	G20 Finance Track Secretariat
Tokenisation regulatory sandboxes operational across G20 countries (number)	2	12	20	World Bank / BIS Innovation Hub	G20 Investment Task Force
Proportion of national frameworks aligned with the FSB Crypto-Asset Roadmap and OECD Tokenisation Principles (%)	10	70	100	FSB Monitoring Committee	G20 Sustainable Finance Working Group
Tokenised community-based finance or SME projects piloted under regulatory sandboxes (number)	0	50	150	OECD / ITU Digital Finance Lab	G20 Trade and Market Access Task Force
Share of jurisdictions implementing AML/CFT and investor protection measures for tokenised finance (%)	15	80	100	FATF / IMF Financial Integrity Unit	G20 Anti-Corruption Task Force
Proportion of G20 sandboxes reporting tokenised asset performance data to global dashboards (%)	0	60	100	World Bank Innovation Metrics Platform	G20 Data Gaps Initiative (SDGI)

Implementation Approach:

Establish national-level legal recognition of tokenised assets and smart contracts to unlock investment and lending mechanisms.

- **Steps and Institutions:**
  - Launch a multistakeholder working group including the Financial Sector Conduct Authority (South Africa), South African Reserve Bank, Central Bank of Kenya, Securities and Exchange Board of India.
  - Develop national guidelines for token issuance, smart contract enforceability, and consumer protection in collaboration with legal experts and blockchain standard bodies.
  - Use the G20 Digital Finance Task Force to coordinate regional harmonisation efforts.
- **Roles:**
  - **G20 countries**: Promote policy convergence through joint communication and inter-agency guidelines.
  - **Multilateral Development Banks** (World Bank, African Development Bank): Provide technical assistance and funding for legal research and pilot regulation.
  - **Private sector and fintech startups**: Serve as test cases within sandboxes.
- **Timeframe:** Begin drafting guidelines by Q1 2026, establish 3 regulatory sandboxes in key regions (Southern Africa, East Africa, South Asia) by Q3 2027.
- **Mechanisms:** G20-hosted progress tracker.

Risks and Mitigation:

- **Risk**: Lack of investor confidence due to unclear regulations. **Mitigation**: Align with international models and use phased approvals.
- **Risk**: Exclusion of rural populations due to tech barriers. **Mitigation**: Mandate mobile-first, USSD-compatible tokenisation platforms.
- **Risk**: Legal uncertainty stalls adoption: **Mitigated** by phased regulation and opt-in sandbox frameworks.
- **Risk**: Stakeholder misalignment: **Addressed** by pre-consultation with legal scholars, financial regulators, and user groups.
- **Risk**: Limited technical understanding among public actors: **Mitigate** via G20-led regulatory training programs and peer exchanges.

Action 2.2: Digitise and Strengthen Community-Based Finance Models

Summary: Develop digital infrastructure and support for SACCOs, ROSCAs, and informal savings groups, ensuring these models can formalise, scale, and connect with national and international market systems. This supports inclusion, improves security, and unlocks value for rural and underserved communities.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
Community-based finance organisations (SACCOs, cooperatives, savings groups) digitised and registered on digital finance platforms (number)	5 %	35 %	70 %	World Bank / UNCDF	G20 Investment Task Force
Share of community finance entities connected to national payments and digital identity systems (%)	10	50	90	ITU / World Bank Digital Development Unit	G20 Digital Economy Working Group
Rural and micro entrepreneurs accessing digital financial services via community finance channels (number of millions)	40	150	300	GPFI / World Bank FI Data Set	G20 Inclusion and Sustainability Task Force
Proportion of digital community finance users who are women or youth (%)	30	45	60	UN Women / UNDP Inclusive Growth Lab	G20 Empower Initiative
Countries with policy frameworks on cybersecurity and consumer protection in digital community finance (number)	5	15	20	FSB / GPFI Secretariat	G20 Finance Track Secretariat
Average annual increase in total savings and lending volume through digitalised SACCO and cooperative systems (%)	0	25	50	OECD / CAF Development Bank	G20 Finance and Investment Task Force

Implementation:

- Develop digital tools for recordkeeping, automated contributions, and group lending.
- Support linkages between SACCOs and commercial banks for liquidity access.
- Provide capacity-building grants and infrastructure support via a Cooperative Capacity Fund.

Implementation Approach:

Formalise, digitise, and link informal community finance models to broader financial ecosystems without undermining local control.

- **Steps and Institutions:**
  - Develop and roll out digital platforms tailored to SACCOs, ROSCAs, and VSLAs with USSD and mobile integration.
  - Partner with fintech providers (e.g. M-Pesa, Mukuru, Yoco), telecoms (e.g. MTN, Vodacom), and NGOs to onboard groups.
  - Governments and development agencies to create national accreditation and digitisation incentives.
- **Roles:**
  - **National governments:** Provide legal formalisation pathways and grants.
  - **Multilateral Development Banks:** Offer grant funding for digital platform development and training.
  - **Startup hubs and private sector:** Co-develop apps and payment rails in underserved areas.
- **Timeframe:** Phase 1 pilot with 10 groups by 2026; Phase 2 scale-up to 500 by 2030.
- **Mechanisms:** Cooperative Capacity Building Fund managed by AUDA-NEPAD (African Union Development Agency – New Partnership for Africa's Development) and regional fintech accelerators for savings groups.

Risks and Mitigation:

- **Risk:** Resistance from traditional leaders or group members. **Mitigation:** Engage in participatory design and co-create digital tools that preserve local norms.

- **Risk:** Exclusion of digitally illiterate or unbanked individuals. **Mitigation:** Use SMS/USSD platforms, deliver digital literacy programs via community radio, schools, and NGO partners.
- **Risk:** Fraud or mismanagement. **Mitigation:** Require third-party audits and financial education tied to funding disbursements.

Recommendation 3: Global Start Up Economy Fund (GSEF)

The International Start Up Economy Fund (ISEF) proposes a coordinated, multi-country investment vehicle to support early-stage entrepreneurship across G20 and partner nations. The fund leverages public, private, and multilateral financing to de-risk innovation and drive jobs, gender equity, and market-based inclusion, especially in underserved communities. ISEF draws on pioneering global models, harmonising best practices for capital mobilisation and distribution, and prioritises support for women founders, climate solutions, and startups in excluded geographies.

This model builds on working precedents like E Squared's Venture Philanthropy and IFC's Startup Catalyst and proposes a catalytic GSEF platform with regional and gender allocation mandates. GSEF will mobilise startup funds for social impact by crowding in investments from public and private sector wherein public sector funds will be utilised for first loss to derisk the investment by private sector investors.

Context

Across G20 and partner nations, early-stage entrepreneurs face persistent barriers in accessing affordable, risk-tolerant capital. Despite a dynamic global startup ecosystem representing over one million startups and 750 unicorns, financing remains concentrated in mature markets, leaving vast innovation potential untapped in emerging economies and underserved communities. The proposed **Global Startup Economy Fund (GSEF)** responds directly to this financing asymmetry by creating a shared, multi-country investment vehicle that harmonises capital mobilisation and distribution models.

The **International Startup Economy Fund (ISEF)** framework forms the foundation for GSEF, integrating public, private, and multilateral financing to de-risk innovation investment and promote social inclusion across G20 regions. This approach aligns with the G20's ambition to strengthen financial resilience, expand entrepreneurial participation, and accelerate progress toward the Sustainable Development Goals (SDGs) through scalable entrepreneurship.

GSEF embodies a catalytic model inspired by initiatives such as **E Squared's Venture Philanthropy** and **IFC's Startup Catalyst**, combining blended finance with social impact priorities. It proposes **regional and gender allocation mandates**, ensuring equitable access to startup investment for women founders, youth innovators, and climate-oriented enterprises operating in economically excluded geographies.

Public financing under GSEF would assume first-loss positions, mitigating investor risk and crowding in private and institutional capital into early-stage venture ecosystems. This "de-risking" mechanism activates sustainable cross-border investment flows, encourages ESG-aligned entrepreneurship, and enhances trust between stakeholders within the G20 startup ecosystem.

Rooted in the Startup20 Finance and Investment Taskforce's global objectives, GSEF consolidates best practices from blended capital finance and impact investment frameworks to drive **inclusive economic transformation at scale**. It proposes standardisation of capital instruments, governance norms, and transparent performance metrics to unlock equitable startup growth, reinforcing South Africa's G20 Presidency commitments to solidarity, equality, and sustainability.

Key Contextual Rationale

- **Bridges global financing gaps** through coordinated capital models tailored for early-stage startups.
- **Mobilises patient and blended capital** for high-impact innovation across vulnerable and frontier regions.
- **Operationalises inclusion mandates** to promote gender equity and regional balance in startup economies.
- **Aligns G20 financial cooperation** with fostering entrepreneurship-led growth and sustainable development.

This contextual framing situates GSEF as a transformative instrument within the broader G20 effort to democratise entrepreneurship financing globally, ensuring equitable opportunity for innovators from all member nations.

Key Performance Indicators

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
Startups with access to early-stage finance (%)	22%	30%	40%	World Bank	SU20 Task Force
Startups women led or founded businesses (%)	10%	20%	30%	World Bank	SU20 Task Force
Startups reporting impact in line with GII N/ SDG/ESG frameworks (%)	10%	25%	40%	GIIN, World Bank	SU20 Task Force
Fund allocations to female and regionally underserved founders (%)	~12%	22%	30%	OECD	SU20 Task Force
Participating countries with disbursed in vestments (number)	~0	10	15	World Bank, OECD	SU20 Task Force
Cumulative jobs created through GSEF-f unded startups (millions)	0	0.9	1.5	ILO, World Bank	SU20 Task Force
Private investment mobilised per GSEF d ollar (leverage ratio)	1.1	2.1	3.1	World Bank, IFC	SU20 Task Force

Implementation Approach:

- DFIs deliver de-risking mechanisms via guarantees, grants, and patient capital.
- Coordinate fundraising through public/private match funding, targeting a blended mix of commercial, philanthropic, and anchor capital.
- Use case studies from India (SIDBI), South Africa (NEF/IDC), and the USA (SBA/SBIC) to pilot frameworks and monitor for replicable implementation.

Roles:

- DFIs/Development Banks: Anchor and manage pilot programs.
- Ministries of Finance and Startup Agencies: Endorse and integrate incentives.
- Industry/Private Investors: Participate as co-investors under de-risked frameworks.

Risks and Mitigation:

- **Risk:** Policy misalignment and slow buy-in
- **Mitigation:** Early stakeholder engagement and pilot "quick wins."
- **Risk:** Over-reliance on public capital

- **Mitigation:** Thresholds for private sector participation and co-investment rules.

Action 3.1: Establish a DFI De-risking Policy Framework

Summary: Launch a policy framework for development finance institutions (DFIs) to provide "first-loss" guarantees, de-risking private investment in high-innovation, high-impact startups. The action includes technical assistance, credit guarantee schemes, and the creation of co-investment platforms anchored by leading national institutions.

Context: ISEF aims to address persistent underinvestment in impact entrepreneurship, with a catalytic approach linking capital to cross-cutting ESG and inclusion priorities. By integrating public and private fundraising and impact-linked allocations, ISEF can build sustainable startup ecosystems across G20 member states and beyond, leaving no region or demographic excluded from transformative innovation.

Key Challenges:

- Lack of private sector mobilisation strategy and action plan
- Low coordination between governments and domestic resources
- Lack of transparency
- Underdeveloped blended finance ecosystem.

Current DFI spend in South Africa and Africa: South African has a funding gap of 350 billion Rands (USD 19.643 Billion) which indicates a need for more inclusive funding with various instruments that are coherent with the needs of the MSMEs. DFIs in South Africa play a crucial role in providing access to financial services to MSMEs that ordinarily wouldn't be able to access finance in the capital markets. The DFIs focusing on providing support to MSMEs have different mandates that speak to the sector, certain demographics such as age, location among others. This creates an opportunity for collaboration to establish start-up fund by collaborating with government and private sectors to pool resources using Special Purpose Vehicles (SPVs) for focused governance. Their mandates align with national economic goals like job creation and supporting historically disadvantaged entrepreneurs.

Success Stories from G20 Countries:

Several G20 countries provide exemplary models of DFI-backed start-up funds:

Country	Fund/Initiative	Key Achievements
South Africa	IDC Venture Capital Fund	Supported high-risk start-ups; reduced cost per job by 42% over a decade
Germany	KfW Start-up Fund	Provides direct loans and equity; pioneer in innovation-driven start-ups
United Kingdom	British Business Bank	Mobilised private capital using government guarantees to de-risk investments
India	SIDBI Start-up Funds	Partnered with private investors, fostering a robust SME ecosystem
EU (Multiple)	European Investment Fund	Invests alongside private sector, supporting start-up growth
G7 (Collective)	2X Challenge	Mobilised $3bn for women-focused businesses through DFI collaboration

Additional insights highlight the role of DFIs as first movers in sectors like renewable energy (e.g., Chile and South Africa) and the benefits of joint financing vehicles and green bond funds in catalysing private investment. South African DFIs can leverage these proven models, strategic partnerships, and innovative funding mechanisms aligned with national goals for enhanced impact.

Purpose: The main goal of GSEF is to provide catalytic blended finance to early-stage businesses with from Pre-Seed to Series C across the G20 countries.

Goal: Invest in minimum 20 start-ups per continent, led by G20 countries.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
Startups with access to early-stage finance (%)	22%	30%	40%	World Bank	SU20 Task Force
Startups women led or founded businesses (%)	10%	20%	30%	World Bank	SU20 Task Force
Investments aligned with ESG and im pact risk-rating frameworks (GIIN/IFC Principles) (%)	10%	25%	40%	GIIN, World Bank	SU20 Task Force
Value of risk-sharing and credit-guara ntee facilities activated (USD billion)	0	3	7	OECD, World Bank	SU20 Task Force
Share of de-risked portfolio allocated t o female and underserved regional fo unders (%)	~12%	22%	30%	OECD	SU20 Task Force
Private investment mobilised per de-ri sking dollar (leverage ratio)	1.1	2.1	3.1	IFC, World Bank	SU20 Task Force

Implementation:

- DFIs deliver de-risking mechanisms via guarantees, grants, and patient capital.
- Coordinate fundraising through public/private match funding, targeting a blended mix of commercial, philanthropic, and anchor capital.
- Use case studies from India (SIDBI), South Africa (NEF/IDC), and the USA (SBA/SBIC) to pilot frameworks and monitor for replicable implementation.

Roles:

- **DFIs/Development Banks**: Anchor and manage pilot programs.
- **Ministries of Finance and Startup Agencies**: Endorse and integrate incentives.
- **Industry/Private Investors**: Participate as co-investors under de-risked frameworks.

Risks and Mitigation:

- **Risk**: Policy misalignment and slow buy-in. **Mitigation**: Early stakeholder engagement and pilot “quick wins.”

- **Risk**: Over-reliance on public capital. **Mitigation**: Thresholds for private sector participation and co-investment rules.

Action 3.2 Achieve 30% Gender Parity by 2030

Summary: Mandate and monitor gender quotas within DFI, VC, and fund-of-funds portfolios to reach at least 30% women-led startup representation by 2030.

Context: The SU20 recognises the need to correct structural imbalances in capital allocation. Gender and Youth Focused Finance that will establish dedicated Women and Youth Venture Capital Funds, supported by both public and private sector partners. These funds will prioritise early-stage ventures led by historically excluded groups and provide tailored support through investment readiness labs and portfolio mentoring.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
Women-led startups in DFI/VC/fund-o f-fund portfolios (%)	12%	20%	30%	World Bank, OECD	SU20 Task Force
Share of total funding allocated to wo men and youth venture funds (%)	8%	18%	25%	GIIN, World Bank	SU20 Task Force
Portfolio funds using gender scorecar ds linked to incentives (%)	15%	50%	90%	UN Women / OECD	SU20 Task Force
Fund management teams with at leas t 30 % women representation (%)	10	20	30	IFC / UNDP	SU20 Task Force
Share of accelerators/ incubators complying with gender qu ota requirements (%)	10%	40%	70%	UNIDO, IFC	SU20 Task Force
Independent gender audits and impa ct reports issued per year (number)	0	20	40	UN Women / GPFI	SU20 Policy Secretariat

Implementation Approach:

- Mandatory minimum gender targets for investment portfolios.
- Gender scorecard tied to tax incentives, accelerator admissions, and public funding disbursements.
- Regular reporting and verification by independent impact monitors.

Roles:

- **DFIs/VCs/Fund Managers:** Set gender targets, implement gender scorecards in investments, and report annually on progress.
- **Fund-of-Funds:** Make funding conditional on gender quotas, track and enforce compliance across portfolio funds.
- **Tax Authorities/Incentive Bodies**: Tie tax breaks and public support to gender representation data and enforce audit checks.
- **Independent Monitors:** Verify and publish gender statistics, auditing fund claims and sector progress.
- **Accelerators/Incubators:** Enforce quotas in admissions and program support, regularly report on outcomes.
- **Policy Ministries:** Regulate, coordinate, and oversee quota implementation and support ecosystem awareness/programmes.

Risks and Mitigation:

- **Risk:** Tokenism or exclusion of intersectional identities. **Mitigation:** Design inclusive criteria and robust MandE frameworks
- **Risk:** Data gaps. **Mitigation:** Digitised dashboards and anonymised gender / ownership reporting.

Action 3.3 ESG and Impact Practical Implementation Execution Framework

Summary: Mainstream ESG impact into all ISEF-supported financing and reporting. This action mandates the use of contextually relevant metrics (environmental, social, governance) and robust digital impact tracking for startups, with priority areas including inclusion, climate resilience, job creation, and gender parity.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
ISEF-supported funds with ESG-linked investment criteria (%)	10 %	50 %	100 %	World Bank, OECD	SU20 Finance Task Force
Portfolios reporting via OpenESG platform (digital token system) (%)	0 %	60 %	100 %	GIIN, World Bank	SU20 Policy Secretariat
Funded startups with measurable climate or green impact actions (%)	12 %	25 %	40 %	UNEP, IFC	SU20 Finance Task Force
ISEF-funded enterprises led by women, youth, or underserved groups (%)	15 %	25 %	35 %	UN Women, OECD	SU20 Foundation and Alliance TF
Funded entities conducting third-party verified ESG audits (%)	5 %	40 %	80 %	IFC, GIIN	SU20 Policy Secretariat
ESG learning exchanges and technical assistance programs implemented per year (number)	0	25	50	UNDP, OECD	SU20 Finance Task Force

Implementation Approach:

- Roll out an OpenESG digital token and dashboard system, tracking contributions from formal and informal economy participants.
- Set mandatory ESG-linked criteria for all co-investment, reporting, and fund allocation.
- Deploy digital reporting and transparency platforms for real-time monitoring and audit.
- Provide technical assistance and learning exchanges to build local ESG policy and reporting capacity.

Risks and Mitigation:

- **Risk:** Poor data quality or fraud in reporting. **Mitigation:** Integrate anonymised, encrypted audit systems with independent third-party verification.

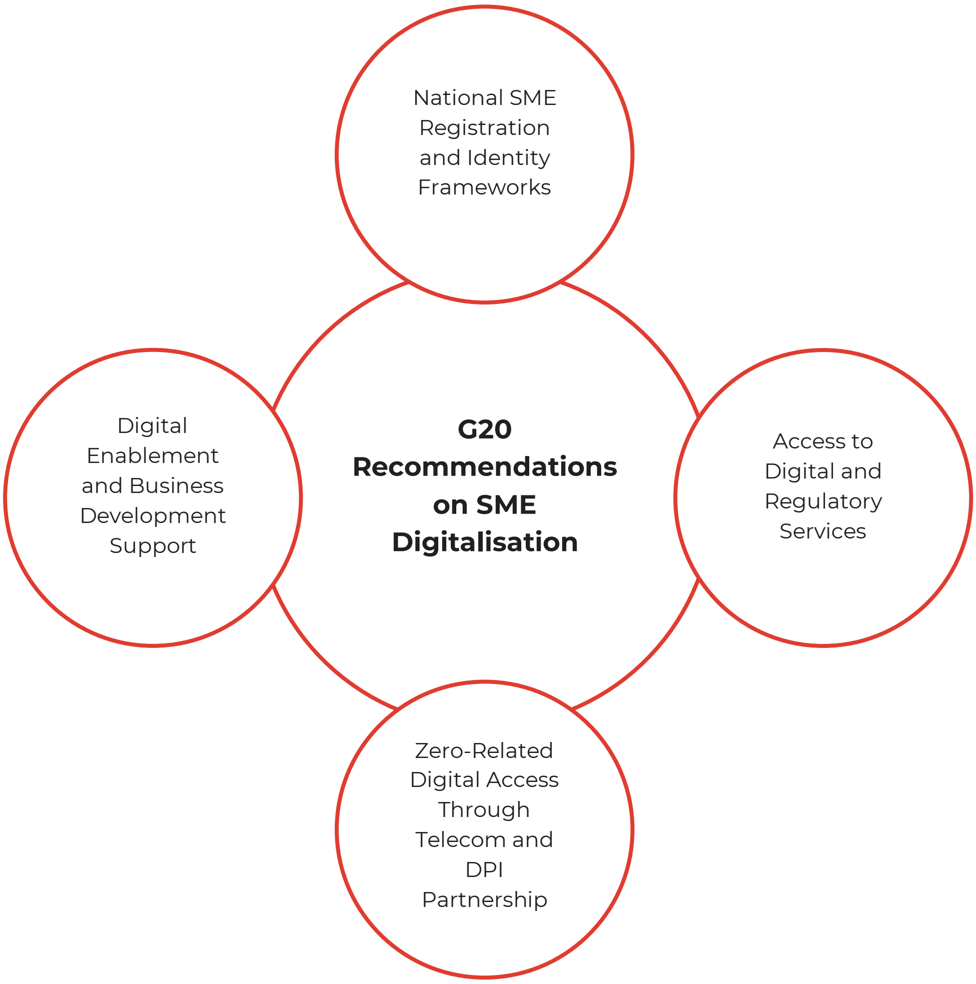
- **Risk:** "One size fits all" ESG definitions. **Mitigation:** Allow contextual customisation and participatory standard setting with local partners.

Recommendation 4: SME Digitalisation and Platform Interventions

Startups and MSMEs drive innovation and economic growth, but systemic barriers hinder their scaling due to fragmented policies, regulatory burdens, and lack of global coherence. The Global Entrepreneurship and Startup Policy Innovation Framework fosters harmonised, milestone-based regulatory reform across G20 nations, embedding inclusion, flexibility, and accountability to modernise startup ecosystems. It offers Startup Success Guidelines with compliance relief, regulatory sandboxes, fair access compacts, and diversity benchmarks that ensure equitable and innovation-friendly environments.

This policy paper outlines four strategic pillars for coordinated G20 intervention:

1. **National SME Registration and Identity Frameworks**
2. **Digital Enablement and Business Development Support**
3. **Access to Digital and Regulatory Services**
4. **Zero-Rated Digital Access Through Telecom and DPI Partnerships**



Institutionalise the GESPIF as a flexible yet structured policy framework across G20 countries that aligns startup legislation, regulatory relief, and inclusion targets to boost startup formation, growth, and cross-border scaling, while respecting national sovereignty but encouraging convergence toward shared global standards.

Strategic Priorities:

- Establish Startup Success Guidelines supporting milestone-based policy adoption.
- Implement compliance relief frameworks and regulatory sandboxes for emerging sectors.
- Harmonise cross-border policy for digital, trade, and talent mobility.
- Enforce inclusion and diversity benchmarks in financing, procurement, and governance.

- Foster policy innovation labs and real-time policy evaluation mechanisms.
- Enable a Global Knowledge Hub for best practice sharing and coordinated evolution.

Context

Startup ecosystems often suffer from outdated, fragmented regulatory frameworks and inconsistent policy application. This fragmentation imposes compliance burdens that slow venture scaling and reduce investor confidence, especially in emerging markets. The GESPIF addresses these systemic weaknesses with scalable, inclusive frameworks designed to lower barriers, streamline compliance, and enable startups, especially those led by women, youth, and rural entrepreneurs, to flourish locally and integrate globally.

Key Performance Indicators

KPI	Baseline (2024)	Target (2030)	Tracking Institution	Champion Institution Example
Startup policy adoption across G20 members (%)	10%	95%	SU20 Secretariat, National Govts	G20 Policy Task Force
% of startups benefiting from compliance relief	5%	75%	Startup Incubators, G20 Secretariat	SU20 Innovation Alliance
Cross-border startup mutual recognition agreements (#)	0	15	Digital Diplomacy TF	SU20 Digital Diplomacy
% of startups meeting inclusion benchmarks	15%	50%	Inclusion Task Force	SU20 Inclusion Task Force
Number of policy innovation labs operational	0	20	SU20 Secretariat	G20 Innovation Council

Action 4.1 Launch Startup Success Guidelines and Compliance Relief Programs

Summary: Create adaptable policy guidelines facilitating progressive adoption of startup-enabling reforms, including tax relief, regulatory waivers, and operational flexibility for early-stage ventures.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
Countries adopting G20-aligned start up guidelines (number)	3	15	30	OECD, World Bank	SU20 Policy Secretariat
DFI/VC portfolios operating under reg ulatory sandbox or tax relief schemes (%)	5 %	25 %	50 %	World Bank, UN CTAD	SU20 Finance Task Force
Countries with integrated SME/startu p registration linked to tax and ID systems (%)	8 %	25 %	50 %	UNDP, OECD	SU20 Foundation and Alliance Task Force
Average startup registration time (number of days)	12 days	6 days	2 days	World Bank (Eo DB)	SU20 Policy Sec retariat
Peer-learning policy labs and complia nce innovation pilots established (number)	0	20	50	OECD, UNDP	SU20 Policy Sec retariat
Startups reporting improved regulato ry clarity and reduced burden (%)	0	60 %	90 %	World Bank, W EF	SU20 Finance Task Force

Implementation Approach:

Develop modular policy toolkits endorsed by G20, supported by national policy labs to pilot flexible compliance relief and regulatory sandbox programs. Scale up through peer learning and data-driven feedback loops.

- Develop digital-first, mobile-friendly SME registration portals integrated with tax, banking, and national ID systems.
- Launch country-level registries and interlink with digital public infrastructure. (Examples: Udyam and GeM (India), Monsha'at (Saudi Arabia), GoBusiness (Singapore))
- Leverage digital mapping for geotargeted support and integrate with sector classification systems. (e.g., Aadhaar, CPF, e-KYC).

Roles:

- **Policy Task Forces**: Develop guidelines, monitor implementation progress, and assist national governments.
- **National Governments**: Customise, legislate, and pilot adoption within local contexts.
- **Ecosystem Partners**: Provide feedback, support startups in compliance, and assist in data collection.
- **Risks and Mitigation**: Risk of uneven adoption mitigated by tiered milestone recognitions and tailored technical assistance. Compliance complexity balanced by continuous policy refinement and stakeholder engagement.

Risks and Mitigation:

- **Risk**: Exclusion of informal or rural SMEs due to lack of digital access or awareness. **Mitigation**: Use mobile/offline registration options, run local outreach and digital literacy sessions, and collaborate with community leaders to boost uptake.
- **Risk**: Data privacy and cybersecurity threats to SME databases. **Mitigation**: Apply robust encryption, implement strict access controls, conduct regular security audits, and provide cybersecurity training to administrators.
- **Risk**: Fragmented or inconsistent integration with existing national systems (tax, banking, ID). **Mitigation**: Align standards with national digital public infrastructure, use phased pilots, and engage with technical experts to ensure interoperability.

Action 4.2 Digital Enablement and Business Development Support

Summary: Facilitate mutual recognition of compliance, startup certifications, and visas to enable seamless movement and scaling of startups across G20 borders.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
Mutual Recognition Agreements (MRAs) on startup certification signed (number)	0	10	25	OECD, G20 Secretariat	SU20 Digital Diplomacy TF
Participating countries with interoperable startup digital identity and compliance platforms (%)	5 %	40 %	80 %	World Bank, ITU	SU20 Digital Diplomacy TF
SMEs using verified enterprise and compliance tools (ERP / CRM / Cyber security) (%)	8 %	30 %	60 %	UNCTAD / WTO	SU20 Finance Task Force
G20 economies implementing startup visa frameworks with mutual recognition (%)	10 %	35 %	70 %	ILO, World Bank	SU20 Policy Secretariat
Startup toolkits deployed in underserved or rural ecosystems (%)	0 %	40 %	80 %	UNDP, OECD	SU20 Foundation and Alliance TF
Digital training sessions and onboarding programs for SMEs (number)	0	500	1 000	UNIDO, WEF	SU20 Finance Task Force

Implementation Approach:

Negotiate and implement Mutual Recognition Agreements (MRAs) on startup certification; create interoperable digital identity and compliance platforms; align visa policies for startup mobility.

- Bundle and provide verified SME digital tools (ERP, payments, sales, marketing, cyber compliance).
- Launch SME digital starter kits and subsidised software access by partnering with tech providers.
- Facilitate joint procurement of tools for regional low-cost access and promote national enablement campaigns.

Roles:

- **Digital Diplomacy TF:** Lead MRAs negotiation, digital infrastructure coordination.
- **Immigration Authorities:** Adjust visa frameworks to priority startup flows.
- **Startup Ecosystem Hubs:** Support onboarding, verification, and cross-border facilitation.

Risks and Mitigation:

- **Risk:** Low adoption of digital tools by SMEs due to cost or skill gaps. **Mitigation:** Subsidise software, provide bundled starter kits, and deliver technical and business training through local partners.
- **Risk:** Vendor lock-in or dependency on proprietary software solutions. **Mitigation:** Prioritise open standards and offer a mix of commercial and open-source digital tools, with clear exit or transition strategies.
- **Risk:** Inequitable access, with urban SMEs benefiting more than rural ones. **Mitigation:** Target outreach and partner with local ecosystem hubs to tailor support and track regional uptake with dashboards.

Action 4.3 Enforce Inclusion and Diversity Benchmarks in Startup Financing and Procurement

Summary: Mandate startup funding and procurement policies that guarantee minimum gender, youth, and rural entrepreneur representation, supported by transparency and accountability mechanisms.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
DFI/VC and public fund allocations directed to women-, youth-, and rural-owned startups (%)	10 %	25 %	40 %	World Bank, GIIN	SU20 Finance Task Force
Government and corporate procurement contracts awarded to diverse startups (%)	15 %	35 %	50 %	OECD, UN Women	SU20 Policy Secretariat
Annual publicly published inclusion audit reports (number)	0	20	40	UNDP, GIIN	SU20 Finance Task Force
G20 members implementing one-stop digital portals integrating licensing, grants, and procurement (%)	8 %	40 %	80 %	World Bank, ITU	SU20 Digital Diplomacy TF
National funding and public grant schemes linked to verified inclusion benchmarks (%)	0 %	30 %	60 %	OECD, UNCTAD	SU20 Finance Task Force
SMEs participating in training and e-compliance education modules on inclusive procurement (number)	0	500	1 000	ILO, UNIDO	SU20 Foundation and Alliance TF

Implementation Approach:

Tie financial incentives, public grants, and venture funding to compliance with inclusion benchmarks; introduce inclusive procurement sets; regular independent reviews and audits.

- Develop one-stop digital government portals that integrate licensing, grants, tax, procurement, and training.
- Promote uptake of e-invoicing, e-signature, and build national SME regulatory sandboxes.
- Launch a G20 compliance innovation exchange and create an SME Regulatory Index.

Roles:

- **Finance Task Force:** Set investment inclusion metrics, monitor fund compliance.
- **Procurement Authorities:** Implement startup-focused inclusive procurement mandates.
- **Independent Evaluators:** Audit compliance and publish reports.

Risks and Mitigation:

- **Risk:** Service fragmentation or delays due to complex bureaucracy. **Mitigation:** Implement phased rollouts, regularly collect user feedback, integrate "one-stop" digital government portals, and set iterative performance benchmarks.
- **Risk:** Confusion over compliance requirements among SMEs. **Mitigation:** Use interactive digital guides, deliver targeted compliance education workshops, and maintain a multilingual regulatory FAQ.
- **Risk:** Data misuse or privacy breaches in e-signature and digital government systems. **Mitigation:** Enforce best-practice cybersecurity, apply data minimisation, encrypt sensitive information, and institute mandatory breach notification protocols.

Action 4.4 Establish Policy Innovation Labs and Global Knowledge Hub

Summary: Design policy labs for iterative co-creation of startup regulations; build a knowledge hub to facilitate policy sharing, benchmarking, and global coordination.

Key Performance Indicators (KPIs)

KPI	Baseline (2024)	Target (2028)	Target (2030)	Tracking Institution	Champion Institution Example
National policy labs established under G20 ecosystem framework (number)	0	20	50	OECD, UNDP	SU20 Policy Secretariat
Countries actively sharing validated case studies and tools (number)	0	15	30	World Bank, UNCTAD	SU20 Foundation and Alliance TF
Pilot projects co-funded and monitored through policy labs (number)	0	50	100	World Bank, GIIN	SU20 Finance Task Force
Developed policy tools and frameworks digitally archived in the global hub (number)	0 %	60 %	100 %	UNDP, OECD	SU20 Digital Diplomacy TF
Training programs and learning exchanges facilitated via labs and hub (number)	0	100	250	UN IDO, UN Women	SU20 Policy Secretariat
Policy innovations piloted in labs adopted by at least two countries (%)	0 %	25 %	60 %	World Bank, OECD	SU20 Finance Task Force

Implementation Approach:

Establish labs at Gateway Nodes engaging policymakers and ecosystem leaders; develop an accessible online repository of case studies, templates, and real-time data dashboards.

- Mandate zero-rated access to SME platforms by collaborating with telecom operators.
- Deliver bundled data, business tools, and free SME platform access to all registered SMEs.
- Establish infrastructure-sharing partnerships, and scale adoption through targeted outreach campaigns and PPPs.

Roles:

- **Foundation and Alliance Taskforce**: Set investment inclusion metrics, monitor fund compliance.

- **Local Governments**: Implement startup-focused inclusive procurement mandates.
- **Global Secretariat**: Audit compliance and publish reports.

Risks and Mitigation:

- **Risk**: Telcos resist zero-rating due to lost revenue. **Mitigation**: Mandate zero-rate access by regulation, compensate with public subsidies, or offer public sector co-investment incentives.
- **Risk**: Rural or remote SMEs left out due to network or device gaps. **Mitigation**: Pilot regional infrastructure-sharing, prioritise outreach in underserved areas, and support device donation or leasing schemes.
- **Risk**: Low awareness of free services among eligible SMEs. **Mitigation**: Run mass communication and field-based awareness campaigns, partner with municipal authorities and business support centres, and use popular platforms for outreach.

South Africa SU20 Recommendation

- Institutionalise the SU20 into G20
- Establish G20-wide National Digital SME Task Teams in 2025, focused on unifying platform access, SME onboarding strategy, and public-private partnerships to eliminate digital barriers.

Conclusion and Implementation Timeline (2025–2028):

The G20 has the mandate and capacity to lead a global digital inclusion agenda that empowers SMEs to thrive. By acting across these four pillars, G20 nations can unlock trillions in untapped economic value and drive inclusive, sustainable development.

Year	Action
2025	Establish National SME Digital Task Teams and country-level registries.
2026	Pilot SME starter kits, telecom zero-rating schemes, and digital compliance portals
2027	Scale platform adoption through onboarding campaigns and SME platform integrations
2028	Launch interoperable trade corridors and a G20 SME digital infrastructure index

Strategic Outcomes:

- **Policy Harmonisation:** Advocate for aligned startup policies across G20 nations to facilitate cross-border collaboration.
- **Tokenisation Pilots:** Partner with startups to digitise and tokenise warehouse receipts and communal land titles, enabling collateralisation and access to finance in rural economies.
- **Tax Incentive Pilots:** systemic shift in how the G20 enables inclusive innovation capital.
- **International Fund Pilot:** Action the recommendations for DFI de-risking, community-based finance and tax incentive driven initiatives.
- **Monitoring and Evaluation:** Establish mechanisms to assess the impact of startup policies and initiatives.

G20 Alignment and Relevance

The Finance and Investment policy paper aligns with core G20 principles and current Presidency priorities. The recommendations strengthen inclusive growth, promote sustainable finance, and support digital transformation as set out in G20 communiqués.

Each action directly responds to G20 and Sustainable Finance Working Group calls for adaptation, just transitions, and private sector engagement in development. The approach advances key outcomes endorsed by G20 Finance Ministers and the African Engagement Framework 2025 to 2030.

The policy supports cross-border capital flows and targets constraints facing MSMEs, especially in Africa. It prioritizes transparent partnerships, regional investment, and effective resource allocation, which are emphasized in current G20 working documents.

The narrative, benchmarks, and implementation mechanisms reflect recent G20 progress reports, ensuring continued relevance and alignment with the global priorities set by G20 members, partners, and institutions

Monitoring and Evaluation

Monitoring and evaluation of the policy paper's recommendations will be systematic, continuous, and methodologically rigorous. A comprehensive set of indicators for each recommendation is agreed by G20 partners and tracked annually by designated institutions.

All actions are governed by transparent reporting protocols, standardised digital dashboards, and independent verification with open publication of findings. Performance metrics cover financial mobilisation, regulatory uptake, inclusion, gender equity, regional reach, and job creation, with targets set for 2028 and 2030.

Progress is reviewed against baseline values using real-time impact data, published quarterly, and reviewed at G20 and stakeholder summits. Corrective action is triggered when benchmarks are missed, with adaptive implementation and technical assistance deployed as required.

The monitoring system enables feedback from government, investors, and civil society, using evidence for ongoing refinement. This approach meets international standards on transparency and accountability, supporting learning and replicability within and beyond the G20.

Conclusion

This policy paper addresses a pivotal moment for sustainable growth and shared prosperity across all G20 member states. There is no option for delay, as persistent gaps in financing and inclusion demand urgent and coordinated solutions.

The recommendations add value by unlocking new pathways for capital, supporting MSMEs, and advancing digital and green transitions in Africa and globally. Every partner benefits from systems that are more transparent, more innovative, and more equitable.

The call to action is clear. G20 leaders and partners must commit, collaborate, and implement the reforms outlined here. Collective and sustained effort is imperative to transform financial systems and secure a resilient and inclusive future.

Appendices

Appendix 1: References

Recommendation 1 Global Tax Incentive Framework

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Appendix 2: Rural and SMME Case Studies

India – Start-up Village Entrepreneurship Programme (SVEP)

"Developing Rural Entrepreneurs through Start-up Village Entrepreneurship Programme (SVEP)"

Link: https://journals.sagepub.com/doi/10.1177/23944811241255019

Over 150,000 rural enterprises are supported in non-farm sectors.

45% reduction in distress migration in targeted districts.

High proportion of women and youth-led businesses.

Boosted local income, created rural business mentors, and expanded credit linkages.

Turkey – KOSGEB SME Support Programmes

"An Assessment of the SME Sector in Türkiye: Policy Options to Support Economic Recovery. Empowered non-tech SMEs in Anatolian regions to scale production and exports. SMEs receiving KOSGEB support were 2.5 times more likely to export. Grants and soft loans enhanced local manufacturing in textiles, ceramics, and agri-processing. Focus on decentralising economic activity from Istanbul to underserved provinces.

Brazil – PRONAF and PNAE (Family Farming + School Feeding)

Family Farming, Food, and School Feeding Program: Contributions to Food and Nutritional Security https://pmc.ncbi.nlm.nih.gov/articles/PMC10271776/

Over 4.5 million family farmers supported via PRONAF access to credit and technical training. PNAE ensures 30% of public school meals are procured from local family farms. Created stable rural markets, increased farmer incomes, and improved child nutrition. Integrated rural producers into formal procurement systems.

India - Blockchain Adoption in Farmer Producer Organisations

In India, Farmer Producer Organisations have employed blockchain-based traceability to digitise future harvest rights, which function like tokenised assets and enhance collateral transparency to back microloans. A study of the Kazhani Farmer Producer Company in Tamil Nadu revealed that blockchain adopters made, on average, ₹25,829 more income per farm per year than those who were not adopting and provided a demonstration of income impacts of transparent ledger-backed loan instruments (Nandhini et al., 2023).

Appendix 3: International Use Cases

Regulatory Sandboxes (India Model):

Success: India's fintech sandbox enabled startups like Paytm, contributing to over $10B in digital transactions.

Gap: Fragmented global regulations limit innovation e.g., Kenya's crypto ban prevents tokenisation of agri-assets.

Recommendation: Establish G20-wide sandbox interoperability using ISO-compliant smart contracts to enable cross-border startup experimentation.

Equity Crowdfunding (Brazil's CVM 588):

Success: Enabled over 500 startups to raise $50M, though retail investors were capped at $1,000/year.

Gap: Excludes informal economies e.g., Indonesian farmers lack access to tokenised finance.

Recommendation: Raise retail caps to $5,000/year and implement localised KYC (e.g., via M-Pesa or WhatsApp verification).

Blended Finance (IFC Startup Catalyst Model):

Success: $225M deployed across Africa, but high IRR expectations excluded impact-driven ventures.

Gap: Overreliance on sovereign guarantees sidelines high-risk innovation.

Recommendation: Introduce 0%-interest convertible grants tied to revenue milestones, de-risked through DFI co-investments.

Gender-Lens Investing (2X Challenge):

Success: Mobilised $16B for women-led businesses, mostly in mature stages.

Gap: Pre-seed and underserved founders remain overlooked; algorithmic bias persists.

Recommendation: Implement 1:1 public capital matching for underrepresented founders and audit VC algorithms for bias.

ESG Compliance (EU's SFDR):

Success: Standardised sustainability reporting but imposes ~$50K annual compliance cost.

Gap: No relevant metrics for informal economy startups.

Recommendation: Develop lightweight ESG tools (e.g., B Corp Lite) and offer tax incentives for SASB-aligned reporting.

Philippines: Project i2i Enterprise Ethereum Network:

Project i2i in the Philippines, a joint venture involving UnionBank and ConsenSys Solutions, implemented an Ethereum-based payment network that links seven rural banks in real-time, affordable domestic transactions (Lisco, 2019). By tokenising fiat currency using a private blockchain, the platform decreased settlement time from hours to seconds and reduced costs per transaction by a substantial amount, significantly increasing transaction volumes between rural SMEs. This example highlights how tokenised assets, in this case, fiat-backed tokens, have the ability to bring informal channels of finance into regulated systems and improve financial inclusion at a community level.

Appendix 4: African focused Case Studies

South Africa – YES Youth Tax Incentives:

Success: Created 100K+ jobs through tax breaks for youth hiring.

Gap: Excludes startups; only large firms qualify.

Recommendation: Extend to startups hiring youth (e.g., Kenya's Ajira vouchers); combine with equity-free grants (e.g., SEFA model).

Kenya – Fintech Sandbox and Crypto Ban:

Success: Enabled platforms like Pezesha via sandbox; M-Pesa scaled to $30B+ in annual transactions.

Gap: Crypto ban blocks asset tokenisation (e.g., agri-token NFTs); lack of post-sandbox pathways.

Recommendation: Reform crypto laws for asset-backed tokenisation, link sandbox graduates to DFI-backed guarantees.

Nigeria – NSIA Fund-of-Funds Failure:

Success: $500M sovereign fund aimed to catalyse VC.

Gap: Attracted <5% private capital due to opacity, high IRR expectations, and exclusion of early-stage startups.

Recommendation: Allocate 20% to pre-revenue startups; hedge currency risk via local instruments (e.g., MIGA-backed models).

Rwanda – Gender Bonds:

Success: Raised $41M with a 30% female founder quota.

Gap: Funds concentrated in urban areas; lacked training support.

Recommendation: Ensure 40% rural allocation and bundle bonds with capacity-building (e.g., Uganda's mentorship programs).

Egypt – Startup IPO Law (2022):

Success: Enabled early public listings (e.g., Swvl via Nasdaq Dubai).

Gap: Retail investors excluded; no liquidity for founders.

Recommendation: Enable fractional share ownership and create regional secondary markets via AfCFTA mechanisms.

Senegal – Agri-Tech Loan Failures:

Success: Piloted IoT-based agri-loans to 200+ farmers.

Gap: 60% default rate due to climate risks and tech illiteracy.

Recommendation: Blend loans with parametric insurance (e.g., Pula) and train farmers via community-led programs (e.g., Ethiopia's Digital Green).

Kenya: Sarafu Community Inclusion Currency:

The Sarafu Community Inclusion Currency (CIC) is a complementary digital currency run by local cooperatives and accessed through USSD feature-phone technology (Mattsson et al., 2023). The design uses pre-existing "chamas" (community savings groups) to develop Sarafu-backed digital tokens that are issued based on collective economic activity and circulated more than 300 million Sarafu between June 2020 and June 2021, thus increasing local liquidity when national currency is not available due to COVID-19 (Mattsson et al., 2023). The case shows that fractional digital tokens have the potential to unlock community asset value and build resilience among excluded SMEs when national currency is not available.

Unified Gaps Across International and African G20 Countries

Dead Capital: 90% of land remains untitled, blocking asset-based finance.

Currency Fragmentation: Hard currency deals limit local participation.

Gender-Tech Divide: Female founders face higher due diligence barriers.

DFI Inefficiencies: 18-month approval cycles delay critical funding.

Policy Asks for G20 / SU20:

To unlock inclusive, locally rooted startup ecosystems across emerging markets, we recommend the following strategic interventions:

Land Tokenisation Pilots: Partner with startups to digitise and tokenise warehouse receipts and communal land titles, enabling collateralisation and access to finance in rural economies.

Local Currency VC Funds: Mandate that at least 50% of DFI-deployed capital be invested in local currencies, reducing FX risk and crowding in domestic investors building on the Africa50 model.

Gender Algorithm Audits: Regulate the use of AI in VC decision-making by requiring algorithmic audits to detect and mitigate gender and racial bias in startup scoring and due diligence.

Fast-Track DFI Funding Windows: Introduce 6-month approval timelines for startup-focused investments, modelled on the agility of IFC's Startup Catalyst program, to accelerate early-stage capital deployment.

Appendix 5: Case Study- South Africa’s SA SME Fund – Scaling Inclusive Capital Through a Fund-of-Funds Model

Launched in 2016 through a public-private partnership between the South African government (via the Public Investment Corporation) and leading corporates (via CEO pledges), the SA SME Fund is a key institutional anchor for early-stage investment in South Africa. With over R1.4 billion under management, it has backed more than 16 venture capital, growth equity, and impact funds including many first-time fund managers.

The Fund’s **fund-of-funds model** is designed to crowd in private capital by anchoring locally rooted fund managers who target underserved sectors, geographies, and founders. It prioritises commercial returns alongside inclusive impact, filling a critical gap in a landscape where state-backed early-stage capital is limited.

Gaps Identified: *Geographic Concentration* - Investment remains heavily skewed toward Gauteng and the Western Cape, leaving rural and township entrepreneurs underfunded.

Sustainability Risk - The model relies heavily on private co-investment, which tends to avoid high-risk, early-stage or innovation-led ventures.

Recommendation for Future Iterations: Dedicated Pre-Seed Capital Pools: Establish targeted pools for pre-seed, seed, and catalytic grants, managed in partnership with accelerators and university-linked innovation hubs.

Regional Quotas for Diversification: Require that at least 30% of deployed capital flows through funds with active pipelines in rural or township areas.

Blended Finance Integration: Leverage development finance institutions (DFIs) to co-anchor lower-return, higher-impact funds offering first-loss protection for new and risk-tolerant fund managers, especially in sectors like climate innovation and the informal economy.

Appendix 6: Global Rankings

Existing independent and credible global rankings for consideration for tracking the performance of these policy papers impact moving forward.

1. World Competitiveness 2024
   https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/
2. Global Innovation 2024
   https://www.wipo.int/en/web/global-innovation-index
3. WEF Global Competitive Report 2019
   https://www.weforum.org/publications/global-competitiveness-report-2019/
4. UN eGovernment Survey 2022
   https://desapublications.un.org/sites/default/files/publications/2022-09/Report%20without%20annexes.pdf
5. Startup Genome 2023
   https://startupgenome.com/reports/gser2023https://startupgenome.com/reports/gser2023
6. World Bank (Human Capital)
   https://www.worldbank.org/en/publication/human-capital

Appendix 7: Investor Community Engagement

This appendix presents the consolidated feedback and recommendations from a diverse group of investor and entrepreneurship stakeholders, collected through structured interviews, written submissions, and roundtables facilitated by the Finance and Investment Task Force. Evidence base inputs address the practical implementation challenges and success factors for the policy's proposed mechanisms.

Main Themes and Stakeholder Comments:

- Investor representatives consistently highlighted the need for tax incentives targeting startups' first hires, founder reinvestment, and angel investment, emphasizing early-stage capital preservation.
- Strong support was expressed for phased, globally harmonized tax incentive adoption, but clear accountability measures for misconduct and digital transparency were requested to ensure credibility and impact.
- Blended finance – especially democratized "Blended Finance 2.0" with FX-hedging instruments – was identified as critical for de-risking ventures in developing economies. Stakeholders cited examples such as GIZ's DeveloPPP and Orange Corners Innovation Fund as catalytic match-funding instruments to emulate.
- Investor engagement strongly favored permanent job creation as a KPI and urged safeguards against loophole exploitation, particularly for property-related investments.
- Comments emphasized prioritization of funds into developing regions through sliding-scale allocations, and recommended expanded government engagement with pension funds to unlock large-scale capital for innovation ecosystems.
- Stakeholders proposed first-loss funding, fund-of-funds models, and phased impact measurement to address market failures at seed and pre-seed stages. Transparency in impact reporting, flexible incentives, and universal impact metrics were emphasized.

Community engagement confirmed broad consensus on the need for systematic policy reform, blending global alignment with local customization. Investors agreed that new mechanisms must balance risk, foster transparency, and measure both immediate and long-term impact. All recommendations in the policy paper are directly informed by this comprehensive engagement process, ensuring stakeholder priorities have shaped every supporting action.

Appendix 8: Definitions Thinking Board

https://g20startup20.org/wf-assets/639ecca066f41623b6090b98/64a177931a72bd5a818b54a4_Foundation.docx.pdf

> A critical aspect of this harmonization effort is the creation of a clear, standardized definition of what constitutes a startup. The **Startup Definition Framework**, originally proposed at the 2023 Startup20, has been complemented by the current group with the highlighted indicators below, providing a structured approach that can distinguish startups from other forms of small and large organizations.

LEGAL ENTITY	AGE	SIZE	SCALABILITY	INNOVATION	CULTURE
Registered entity	Not more than	Turnover	High scalability	Technology innovation	Team composition
Privately held	Less than	Employee count	Rapid growth	Business model innovation	Adaptability
Independent (Not a subsidiary)		Funding/ Investment	Tech leverage	STEM employees/ research staff	
		Not listed		Technology Readiness Level (TRL)	
				Innovation type	

Our proposed definition: "A Startup is a formal entity, typically in its early phase of development, whose core activity is the innovation with the strategic ambition of significant scale. It is characterised by its utilisation of risk capital and operates under a high degree of uncertainty until it validates a repeatable and scalable business model."

Summary Table of All Three Proposed Definitions

Feature	Definition 1: The Scalable Model	Definition 2: The Phase-Based	Definition 3: The Ambition & Ecosystem
Core Idea	An entity searching for a repeatable & scalable model.	A temporary phase focused on validation before scaling.	An entity with global ambition integrated into the risk-capital ecosystem.
Primary Metric	Nature of Business Model (Innovation & Scalability)	Stage of Development (Pre/Post product-market fit)	Strategic Intent (Global scale) & Funding Type (Risk capital)
Key Strength	Simple, intuitive, and captures the modern ethos of a startup.	Dynamic and realistic; doesn't punish companies for taking time to find their model.	Perfectly aligned for international policy (G20's goal); focuses on cross-border potential.
Potential Challenge	Requires qualitative judgment on what constitutes "innovation."	Requires defining clear, universally accepted milestones for "graduation."	Might exclude bootstrapped startups with high scalability but no external funding.

Proposed Thinking for G20/SU20

Definition One: The Startup - A **Startup** is a formal, growth-oriented commercial entity designed to **search for** and **execute** a repeatable and **scalable business model** under conditions of extreme uncertainty.

Its primary intent is **rapid growth and significant market impact**, driven by innovation in product, process, service, or business model. It is characterised by its potential to scale across markets, its attraction of risk capital (equity), and its focus on solving large-scale problems.

Contrasting Definitions for Clarity between Startup, MSME and Informal

To make the definition of a startup clear, it must be contrasted with what it is *not*.

Feature	Startup	MSME / SME	Informal Sector Enterprise
Core Objective	Scale & Market Disruption. To grow rapidly and achieve significant geographic or demographic reach.	Profit & Stability. To generate stable, sustainable revenue and employment for its owners and community.	Subsistence & Livelihood. To provide immediate income and basic needs for the owner and family.
Growth Mindset	Exponential. Aims for 10x, 100x, or 1000x growth. Measured by user growth, market share, and valuation.	Linear or Incremental. Aims for steady, manageable year-on-year growth (e.g., 10-20%). Measured by profit and revenue.	Survival. Aims for daily or weekly sustenance. Growth is often limited by local demand and resources.
Primary Funding	Risk (Equity) Capital. Angel investors, Venture Capital, Private Equity. Investors seek high returns from a few successes.	Debt and Retained Earnings. Bank loans, credit lines, microloans, personal savings. Focus on creditworthiness and cash flow.	Personal Savings and Cash Flow. Relies on daily earnings, family loans, or informal lending. No access to formal credit.
Innovation Driver	Technology and Business Model. Creates new markets or radically changes existing ones (e.g., digital platforms, biotech, AI solutions).	Process and Customer Service. Improves efficiency, quality, or service within an established market (e.g., a better local bakery, a more efficient contractor).	Necessity. Activity is based on readily available skills and opportunities to meet local, immediate needs (e.g., street vending, small-scale repairs).
Legal Structure	Formal and Designed for Investment. Incorporated (e.g., C-Corp, LLC) with clear equity distribution, IP ownership, and governance.	Formal but Traditional. Registered legal entities (e.g., sole proprietorships, partnerships, private Ltd. companies) focused on liability and tax compliance.	Largely Unregistered. Not recognised by the state. Operates outside the formal regulatory, tax, and social protection systems.
Risk Profile	High Uncertainty. The problem, solution, and business model may all be unproven. High failure rate is an accepted part of the model.	Managed Risk. Operates in a known market with proven business models. Risk is mitigated through experience and incremental steps.	Vulnerability. Faces high risk from economic shocks, enforcement actions, and lack of social safety nets, but the business model

Proposed Definition 2: The "Phase-Based" Definition

This definition focuses on the stage of development rather than fixed metrics like age or revenue, acknowledging that a startup is a temporary phase in a company's lifecycle.

Definition: A Startup is a time-bound phase of a business where its primary focus is on achieving product-market fit and validating a scalable growth model. It graduates from this phase upon reaching a definitive milestone of scale, typically measured by annual recurring revenue, user base, or funding round.

- **Entry into Phase:** Begins at incorporation or ideation with a scalable ambition.
- **Exit from Phase ("Graduation"):** Occurs upon achieving one or more of the following:
  - **Sustainable Scale:** Exceeding **$5 million USD in annual recurring revenue.**
  - **Market Validation:** Securing a **Series B funding round** or later, signifying institutional validation of its growth trajectory.
  - **Significant User Base:** Surpassing **1 million active users** (for B2C) or **500 enterprise clients** (for B2B).

Contrast with MSME/Informal:

- **MSMEs** are typically in a post-product-market fit phase focused on linear, profitable execution, not validation. They may never pursue or require venture-scale funding.
- **Informal Sector** entities are in a permanent struggle for subsistence, lacking the structured phase of validation and scaling that defines a startup.

Proposed Definition 3: The "Ambition and Ecosystem" Definition

This definition prioritises the economic intent and integration of the company within the innovation ecosystem, making it particularly useful for international policy alignment.

Definition: A Startup is a formally registered entity whose core **strategic ambition** is to achieve regional or global scale by solving a systemic problem through innovation, and which is designed to **attract and utilise risk capital** from the global innovation finance ecosystem.

- **Key Differentiator 1 (Ambition):** The founding team has a declared intent to expand beyond its home national market within 3-5 years.
- **Key Differentiator 2 (Ecosystem Integration):** Its cap table includes professional angel investors or venture capital firms, OR it is a participant in recognised international accelerator programs.

Contrast with MSME/Informal:

- **MSMEs** have a primary ambition of national or local market leadership and stability. Their financing is primarily domestic and debt based.
- **Informal Sector** entities have no strategic ambition for geographic scale and operate entirely outside the formal financial and investment ecosystems.

Appendix 9: Acknowledgements

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Startup20 South Africa leadership

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