



Post-COVID-19 New Normal: Implications for Startup Ecosystems

4 August 2020, 15:00-16:30 (Manila Time), via Microsoft Teams

I. Background and Context

1. The ongoing coronavirus disease (COVID-19)¹ pandemic is an unprecedented crisis, affecting human health and economic welfare globally. It is having a devastating impact on the global economy affecting trade, investment, growth and employment.
2. The magnitude of the economic losses will depend on how the pandemic evolves, which remains highly unpredictable. Asian Development Bank's (ADB's) impact assessment, estimates a global impact of US\$2.0 trillion to US\$4.1 trillion in losses, equal to 2.3% to 4.8% of global gross domestic product (GDP).² Developing Asia is expected to incur 22% to 36% of these losses with aggregate impacts of 1.0% to 2.2% of combined GDP. The World Trade Organization estimates that world merchandise trade in 2020 could fall sharply, between 13% and 32%. In terms of growth, ADB forecasts stunted growth given containment measures to address the COVID-19 pandemic hamper economic activity and weaken external demand. The Asian Development Outlook 2020 supplement on COVID-19 forecasts growth of 0.1% for the region in 2020. Economic activity in Southeast Asia is expected to contract by 2.7% this year before growing by 5.2% in 2021. The International Labor Organization estimates COVID-19 could lead to an increase in global unemployment of between 5.3 million and 24.million people³ signaling that sustaining business operations will be particularly difficult for firms including startups.
3. In 2019, the global startup economy was valued at \$2.8 trillion and growing over 10% per year which translates to about three to four times faster than the rest of the economies.⁴ The global shift to a digital economy has made the role of technology startups and their ecosystems an important driver of growth and job creator.⁵ Startups offer a higher job multiplier because of the higher wages they pay, their higher rate of exports and the foreign direct investment generated from international investors. The jobs created by startups are deemed more sustainable being better adapted to the economic future and are considered "future-proof." The current COVID-19 crisis has accelerated the digitization of the offline economy, accentuating the importance of startups.


¹ COVID-19 is the short term for severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

² ADB. 2020. *What Drives Innovation in Asia? Special Topic: The Impact of the Coronavirus Outbreak—An Update. Asian Development Outlook*. Manila.

³ International Labor Organization (ILO). 2020. *ILO Monitor: Covid-19 and the World of Work*. First Edition. 18 March 2020 ILO. 2020. *ILO Monitor: Covid-19 and the World of Work*. First Edition. 18 March 2020. Accessed on 24 July 2020 from https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf

⁴ Gauthier J.F. and A. Morelix. Governments, Don't Let your Startups and Scaleups Die. *The Importance of Well-Designed Startup Funding Policy in Times of Crisis*. Startup Genome Report. Third Installment of COVID-19 Research and Policy Series for Global Startup Ecosystems. 28 April 2020. Accessed on 24 July 2020 from https://startupgenome.com/reports/well_designed_funding_policy_crisis

⁵ Ibid.



4. With rapid and sharp declines in demand, disruptions in economic activities, and a surge in job losses at the global and regional levels, many startups are at risk. Layoffs among startups are becoming persistent amid the COVID-19 pandemic with almost two thirds of startups laying off staff and cutting hours globally.⁶ It is estimated that the typical startup(s) with fulltime staff are letting go an average 33% of the staff. Startups also need to contend with weak consumer demand and a drop in venture capital (VC) investments. The forecast is that four out of every ten startups have 3 months or less of capital runway,⁷ making them susceptible to abrupt closures if they are unable to raise additional resources and revenues to sustain operation. About 72% of startups had revenue drops at the onset of the COVID-19 crisis, with the average startup experiencing a decline of 32%.⁸

5. With the impact of COVID-19 being felt by startups, they need support to respond to, recover from the crisis, and adapt to the new normal. Startup Genome, a global consulting and advisory firm advising governments on how to foster startup ecosystems, proposes five key principles for governments to consider in supporting VC-backed startups amid the COVID-19 pandemic and beyond. These are: (i) design for immediate flow of government money to startups; (ii) not to expect VC firms to lead and spread the money; (iii) not to create a new instrument or trigger new terms; (iv) provide great flexibility in terms of use of funds; and (v) align investor incentives with those of the government.

II. Eighth PACER Dialogue

6. As countries act to address the COVID-19 crisis, a strong case can be made to support startups with programs like the economic stimulus packages given to traditional industries and small and medium enterprises. The post COVID-19 new normal calls for supporting startup ecosystems that have increasing returns to scale due to network effects. An increase in the number of startups in the ecosystem leads to growth of the community behind the ecosystem, such as capital, talent, universities, and support organizations, which in turn produces more value.

7. Recognizing that each country's context is unique, with startup ecosystems at different stages of maturity and regional integration, Governments need to plan based on their specific needs and must align support measures with a sense of urgency and purpose that will protect and foster its home-grown startups, attract innovators and facilitate ecosystem development. Several policy options drawn from good practice examples are available for governments to better enable their startup ecosystems in the new normal; and immediate and pragmatic measures which can be taken to support the startup ecosystems in mitigating the negative effects of the COVID-19 and accelerating recovery.

8. In this context the ADB will convene the eighth **Policy Actions for COVID-19 Economic Recovery (PACER) Dialogue** in virtual format on 4 August 2020 (Tuesday) from 15:00–16:30 (Manila time) using Microsoft Teams. The title of the eighth PACER Dialogue is “**Post-COVID-19 New Normal: Implications for Startup Ecosystems.**” The PACER Dialogues are organized under the ADB-supported BIMP-EAGA, IMT-GT, and GMS (B-I-G) Capacity Building Program, and will explore measures that can help “B-I-G” member countries, Singapore, and Timor-Leste “bounce back better” from the COVID-19 pandemic.

⁶ Startup Genome 2020. The Global Startup Ecosystem Report 2020. *The New Normal for the Global Startup Economy and the Impact of COVID-19*. Accessed on 24 July 2020 <https://startupgenome.com/report/gser2020>

⁷ Ibid.

⁸ Ibid.



III. Objectives

9. The eighth PACER Dialogue will feature policies and measures that can better enable startups in the post COVID-19 new normal drawn from the experience and lessons of different countries and global good-practice examples. Phased approaches in implementing these policies and measures, e.g. restarting operations, reaching recovery, and redesigning for the new normal will be discussed. The objectives are to:

- promote improved understanding of policies that can better enable startups in the post COVID-19 new normal;
- feature country and global experience and lessons on measures and policies to support startups in mitigating impacts of COVID-19 and accelerating recovery; and,
- provide a platform for policy makers, development planners, and startups to share knowledge and experience and collaboratively learn from each other.

10. At the end of the dialogue, a Policy Brief will be produced to summarize the policy options and recommendations discussed.

IV. PACER Dialogue Background Paper, Structure and Timing

11. The PACER Dialogues are envisaged to help decision makers broaden their perspectives, appreciate the wider implications of critical policy choices, and identify concrete policy actions. During the open discussions, participants are requested to provide inputs, share analysis, country experiences and lessons on startups policies and measures taken to mitigate the negative effects of the COVID-19 pandemic and accelerate recovery.

12. A background paper will be circulated to all participants as advance reading. The indicative structure of the 1.5-hour (90 minute) PACER Dialogue is summarized in the attached program.

Post-COVID-19 New Normal: Implications for Startup Ecosystems

4 August 2020, 15:00-16:30 (Manila Time), via Microsoft Teams

TIME	DETAILS
15:00-15:08	<p>Eighth PACER Dialogue – Overview and Objectives <i>Mr. Alfredo Perdiguero, Director, Regional Cooperation and Operations Coordination Division, Southeast Asia Department, Asian Development Bank (ADB)</i></p> <p>Introductory remarks on the eighth PACER Dialogue context, objectives, and structure.</p>
15:08-15:23	<p>Post-COVID-19 New Normal: Implications for Startup Ecosystems <i>Mr. Stephan Kuester, Head, Global Ecosystem Strategy, Startup Genome</i></p> <p>Presentation on how to foster vibrant startup ecosystems amid COVID-19 and beyond. Country-level, regional and global expertise and trends, insights into emerging policies and schemes aiming to mitigate the impact of COVID-19, to accelerate recovery, and to help startups adjust to the new normal will be highlighted.</p>
15:23-15:45	<p>Panel of Experts Inputs/Reactions Government Perspective: Policies and Enabling Environment <i>Ms. Lim Seow Hui, Director, Startup Development, Innovation and Enterprise Group, Enterprise Singapore, Government of Singapore</i></p> <p>Investor Perspective: Venture Capital <i>Mr. Christiaan Kaptein, Partner, Integra Partners (formerly known as Dymon Asia Ventures)</i></p> <p>Panelists will provide inputs and reflect (10 minutes each) on their insights and experiences related to startup ecosystems, challenges and opportunities in the context of COVID-19 and provide their views on what will help startups to thrive in the new normal.</p>
15:45-16:25	<p>Open Discussion and Questions <i>Moderator: Mr. Thomas Abell, Advisor and Chief of Digital Technology for Development Unit, Sustainable Development and Climate Change Department, ADB</i></p> <p>PACER Dialogue participants exchange information on startups policies and measures in an open discussion format.</p> <p>To enrich the PACER dialogue discussions, the moderator will request country delegations to provide inputs and share analysis, country experiences, and lessons on startups policies and measures aimed at mitigating the negative effects of the COVID-19 pandemic and achieving medium- and long-term recovery.</p>
16:25-16:30	<p>Synthesis and Summary Closing Remarks <i>Moderator: Mr. Thomas Abell</i></p> <p>Moderator summarizes the policy discussions, key recommendations, and closes the Dialogue.</p>