Building a world-leading UpStart ecosystem grounded in empathy for people and the planet.

By 2030, Aotearoa will be recognised for its vibrant startup ecosystem and as a global leader in generating sustainable value creation.
# TABLE OF CONTENTS

| MIHIMIH | FOREWORD | 1 |
| ABOUT THE COUNCIL | 3 |
| EXECUTIVE SUMMARY | 5 |
| TOP 10 RECOMMENDATIONS | 5 |
| INTRODUCTION | 7 |
| OUR APPROACH TO GATHERING INSIGHTS | 8 |
| UPSTART NATION | 9 |
| WHY UPSTART NATION? | 9 |
| OUR VISION | 9 |
| MEASURES OF SUCCESS: TRACKING OUR PROGRESS | 10 |
| GUIDING PRINCIPLES | 10 |
| UPHOLDING OBLIGATIONS TO TE TIRITI O WAITANGI AND PARTNERSHIP WITH MĀORI | 11 |
| ADVANCING DIVERSITY, EQUITY, AND INCLUSION GOALS | 12 |
| ECOSYSTEM ASSESSMENT | 13 |
| KEY FINDINGS | 13 |
| OUR RECOMMENDATIONS | 15 |
| CONNECTIVITY | 17 |
| IMPROVING COORDINATION, COLLABORATION AND REDUCING FRAGMENTATION | 17 |
| LACK OF STRATEGIC AND COHESIVE APPROACH TO GOVERNMENT FUNDED INCUBATORS AND HUBS | 19 |
| ACCESSING THE BEST DOMESTIC AND INTERNATIONAL ADVISERS AND MENTORS | 20 |
| IMPROVING ACCESS TO THE ECOSYSTEM FOR MĀORI COMMUNITIES | 21 |
| IMPROVING ACCESS TO THE ECOSYSTEM FOR OTHER UNDERREPRESENTED COMMUNITIES | 22 |
“E kore te tirohanga ki muri e taea te whakatere”

By looking back at our heritage, we can chart a course for the future

This whakataukī neatly sums up the Council’s work. As we build a thriving startup ecosystem in Aotearoa, we recognise the importance of honouring our heritage and draw inspiration from those who’ve gone before us. By embracing our values and traditions, we can confidently steer towards the future.

We have embraced the unique nature of our ecosystem and want to unlock its full potential. We want to dispel the notion that our aspirations should be centred around replicating Silicon Valley or making unhelpful comparisons with other global startup nations. New Zealand has its own strengths, advantages, and cultural values that will propel us confidently into the future.

So we have intentionally developed our recommendations, acknowledging the diverse and unique needs of New Zealand startups. Our recommendations encompass access to capital, capability development, connectivity and building stronger peer support networks, and include what we need to do to build a strong supportive culture that celebrates success and wraps support around founders and investors who may be struggling. We have placed great emphasis on nurturing a mutually supportive ecosystem; one that encourages risk-taking, resilience, and continuous learning, and which actively fosters collaboration between startups, corporates, academia, and agencies.

We have championed the importance of inclusivity and diversity within the startup ecosystem. An environment that celebrates and promotes participation from underrepresented groups will unlock untapped potential and drive greater innovation. An equitable and inclusive startup ecosystem is not only a moral imperative, but a catalyst for economic growth and societal progress.

We are immensely grateful to the Ministers for Economic Development, and Research, Science, and Innovation, for entrusting us with this task. We have drawn inspiration from our vibrant startup community, our passionate entrepreneurs, and the unwavering support of various stakeholders who share our vision for a thriving startup sector in New Zealand; one which becomes an exemplar to the world.

We present this report as a testament to our collective commitment to realising the unique nature and potential of our startup ecosystem. We call upon policymakers, industry leaders, and the wider community to join us in embracing these recommendations. Together, we can build a future where New Zealand stands at the forefront of global entrepreneurship, and where our founders and startups have the resources and support to make a lasting impact on the world.

The mahi required to build a vibrant and prosperous startup ecosystem is ongoing, and we are confident that we can achieve our shared vision. This will require a long-term commitment to a coordinated strategy. Let us seize this opportunity!

“Kia whakakotahi tātou ki te whai whakamua, ki te whakarite i te ara whakamua”

Together, let us move forward, shaping the path ahead.

Nāku noa, nā,

Phil McCaw (Chair) – Suse Reynolds (Deputy Chair) – Grant Straker (Ngati Raukawa) – Marian Johnson – Imche Veiga – Carl Jones – Mike Carden
ABOUT THE COUNCIL

The Startup Advisors Council was formed to create a coordinated and whole of government approach to maximising the success for New Zealand startups. The Council is made up of seven industry leaders who have a deep understanding of startups, capital markets and relevant international trends. They come from a range of backgrounds and have extensive experience in leading startups, supporting startups, investment, and growth.

In recognition of the immense economic growth potential of startups, the Startup Advisors Council was formed in May 2022. Our purpose is to provide guidance to the Ministers for Economic Development, and Research, Science, and Innovation, empowering them to foster a national environment where startups can flourish.

We embarked on a twelve-month mission, aiming to present the Government with a comprehensive set of recommendations that will unlock the full potential of our startup ecosystem. Our recommendations focus on leveraging New Zealand’s unique strengths, nurturing a dynamic, diverse, and inclusive community, and facilitating collaboration and coordination between startups, corporates, academia, and government agencies.

This report represents a commitment to realising the unique potential of our startup ecosystem. It is about embracing our strengths and uncovering the untapped potential that lies within our borders. Through strategic actions and targeted support, we can create an environment where startups not only survive, but thrive. In doing so, we can help to fuel economic growth, foster innovation, and improve the lives of our people.

PHIL MCCAW — CHAIR

Phil McCaw has a long history of supporting startups to grow, including through his role as a founding partner at the venture capital fund Movac, which has invested in a number of successful New Zealand early-stage ventures. As the former Chair of the Angel Association New Zealand, he brings extensive experience in investment into startup firms, helping to guide their growth, as well as an awareness of wider international trends.

SUSE REYNOLDS — DEPUTY CHAIR

Suse Reynolds is the current Chair of the Angel Association New Zealand, and one of the founders of Angel HQ (Wellington’s angel investor network). Suse has experience in early-stage finance and is knowledgeable about key sectors. She is also skilled in building capability among founders and engaging at the regional level.
MARIAN JOHNSON
Marian Johnson is the Chief Executive of the Christchurch-based Ministry of Awesome. She has experience in assisting the development of early-stage high-growth startups, both regionally and nationally, through her work with the Te Ōhaka startup hub, which is a partnership with Te Pukenga.

GRANT STRAKER
Grant Straker (Ngāti Raukawa) is the co-founder of the A.I. language translation platform Straker Translations, which is headquartered in Auckland but with operations in a number of countries around the world. He is a prominent advocate for Māori in technology. He won the Te Tupu-ā-Nuku Business Award for Excellence in Innovation in 2017.

MIKE CARDEN
Mike Carden is the founder of a number of startups, including Sonar6 and Joyous. He is a published author in marketing, employee experience, and the software industry, and a past winner of the Bayer Innovators Award. He is regarded as an expert in Software-as-a-Service business models and technology marketing. He holds board and advisory board roles in various technology companies ranging from investor-led early stage through to established public companies.

IMCHE VEIGA
Imche Veiga is the co-founder and Chief Executive of Auckland-based Outset Ventures, which works with deep-tech startups, especially those using intensive R&D or commercialization of university research. She has experience of engaging with young people to build investment and governance capabilities through mentorship. She brings consideration of diversity and inclusion through her work with women founders, as well as understanding wider international trends and connections.

CARL JONES
Carl Jones is the Managing Partner of WNT Ventures, a pre-seed and seed-stage venture capital fund actively establishing and building deep tech companies. He has been involved with startups in sectors as diverse as AI/ML, Urban Mining, Advanced Manufacturing, Robotics, and Aerospace.
EXECUTIVE SUMMARY

In developing this report, we present a comprehensive strategy aimed at transforming New Zealand into a thriving hub for innovative UpStarts. Our recommendations are based on extensive research, analysis, and consultations with stakeholders in the startup community, government, and academia. We identified four primary pillars: Capital, Capability, Connectivity, and Culture. Each pillar is targeted with specific recommendations designed to address identified gaps and leverage opportunities.

We have summarised our key recommendations below. These are the ones that will have the greatest impact on our ecosystem. Further recommendations in the detail of the report are important to round out delivery of the vision.

TOP 10 RECOMMENDATIONS

1. Capability. Remove tax on unrealised gains from Employee Share Option Programmes (ESOP).
2. Connectivity. Create a national body, Accelerate Aotearoa, to reduce fragmentation and co-ordinate the implementation of this strategy.
3. Capital. Ensure continuity of venture funding by committing a further $500m, over the next ten years, to the NZGCP Elevate programme.
6. Capital. Establish a Māori-led venture fund to remove barriers for Māori participation in the UpStart ecosystem and further encourage iwi investment in the sector.
7. Capability. Ensure international and returning Kiwi talent isn’t captured by double taxation under our foreign investment funds (FIF) tax regime.
10. Culture. Through Accelerate Aotearoa, establish a regular programme of storytelling to raise the profile of the sector and promote the opportunity it represents.

It is essential that all stakeholders, including industry players, government agencies, and educational institutions, are part of a collaborative effort to implement these recommendations. Only then can New Zealand become a global leader for producing UpStarts, creating new high-value jobs, attracting investment, and creating an environment where entrepreneurs turn their ideas into thriving businesses. A successor to the Startup Advisors Council, to become the Startup Council, will need to be appointed as the current Council’s appointment term has ended.
INTRODUCTION

New Zealanders face unique challenges, and we need more people with a bias for action ...

The world is changing fast. There are huge challenges and opportunities coming with this change. New Zealand has productivity and resource challenges. But we also have some distinct advantages. Our entrepreneurs have a bias for action, and we need more of them. These people create high-impact, high-value businesses solving the world’s big problems, including climate change, food security and health.

Startup founders and their teams are ambitious people who build companies with scalable business models with potential for impact and value on a global scale.

These companies create resilient, future-proof jobs, and all of them have the potential to generate foreign exchange.

It is critical that we catalyse our nascent startup and innovation ecosystem if we are to improve productivity and build a sustainable economy that is good for our people and our planet.

New Zealand’s startup ecosystem has come a long way ...

Just fifteen years ago, as the world was reeling from the Global Financial Crisis, New Zealand’s startup ecosystem was still in its infancy and largely went unnoticed. The Government supported investment into startups through the New Zealand Venture Investment Fund (NZVIF), which had invested $60 million into six venture capital firms and in 2006 invested $20m in 29 angel deals. Notable success stories like Xero and TradeMe had just emerged, but the general conversation around startups and founders was muted.

Fast forward to today, and the landscape has undergone a breathtaking transformation. More than $200 million is now invested in over 130 startups each year. The Government’s support for early-stage capital markets has expanded significantly with the rebranding of NZVIF to New Zealand Growth Capital Partners (NZGCP) and the establishment of a $300 million fund of funds known as Elevate. NZGCP has to date committed more than $220 million into nine venture capital funds, while the number of venture capital firms operating in New Zealand has grown significantly. Startups are no longer anonymous entities. Rocket Lab, Sharesies, and Allbirds are all examples of the companies startups become, and which are capturing our imagination and catapulting high-growth startups into our consciousness.

But we’re not even halfway there ...

While our startup ecosystem has made tremendous strides, our startup density is only half that of our global peers, our startups are still working with materially less money and taking longer to raise than their offshore peers, and as a nation we’ve lacked an overarching strategy that could effectively increase our speed to success.

We stand on the cusp of a national opportunity. With Auckland reaching maturity as a startup ecosystem, and Wellington and Christchurch not far behind, there is a pace and cadence that we can capture and galvanise to reach New Zealand’s most important economic, environmental, and social goals.

1. All dollar figures represent NZ dollars unless otherwise stated.
OUR APPROACH TO
GATHERING INSIGHTS

In formulating our recommendations, we have sought input from a diverse range of information and evidence sources alongside our personal and professional experience, perspectives, and conversations with the startup ecosystem.

We have also undertaken extensive research and consultation to ensure the accuracy, relevance, and inclusivity of the information presented. We recognize the importance of providing a comprehensive understanding of New Zealand’s startup ecosystem and its potential for value creation and innovation. The information and insights informing our report came from:

- **Nationwide Town Hall Sessions**: Recognising the need for different perspectives, we embarked on a comprehensive consultation journey. Our aim was to gather insights directly from those involved in the startup ecosystem and understand the challenges they face. We organized over a dozen workshops in various locations across the country, from Auckland to Dunedin. These workshops brought together over 350 participants.

- **Startup Genome Benchmarking Assessment**: To gain deeper insights into the current state of our startup ecosystem, we commissioned a report from the international consulting firm, Startup Genome. This gave us a comprehensive assessment of New Zealand's strengths, weaknesses, and future potential, and benchmarked us against our international peers. The detailed analysis is on the Ministry of Business, Innovation and Employment’s (MBIE) website and discussed in further detail below.

- **Engaging Founders**: Engaging with founders was crucial to understanding their experiences and gathering first-hand knowledge of the startup landscape. A total of 176 founders participated in a survey that formed part of Startup Genome’s report.

- **Inclusivity and Diversity**: We recognize the importance of ensuring all voices are heard, so made deliberate efforts to engage with Māori and Pasifika communities. By actively seeking their input, we aimed to incorporate their perspectives and honour the significant contributions they make to the startup ecosystem.

- **Women in the Startup Community**: We were committed to understanding the experiences and perspectives of women in the startup community. We held a dedicated engagement for women, and heard from experts involved in analysis and development of women’s participation in the ecosystem.

- **Government Engagement**: Collaboration with government departments and stakeholders supporting the ecosystem was essential to align our recommendations with existing policies and initiatives.

- **Ecosystem Supporters**: To comprehensively capture the dynamics of the startup ecosystem, we engaged with various stakeholders who play a pivotal role in its success. This included venture capital fund managers, startup hubs, rangatahi, university students, and local councils.

By considering a wide range of inputs, we are confident that our recommendations are well-informed and address the unique challenges and opportunities of our startup ecosystem.

---

2. [https://startupgenome.com/](https://startupgenome.com/)
UPSTART NATION

WHY UPSTART NATION?

It’s time for us to own our destiny; to learn from the experience of other leading ecosystems but to embrace what is unique about us - our strengths, our culture and the opportunity for our nation. UpStart Nation, for us, is a challenger brand. It defines our unique position in the world and our willingness to challenge boundaries, to lead globally and do things differently. UpStart embraces the risk that our bold founders take and helps define the scope of our endeavours in the Council. UpStarts span startups to scaleups.

OUR VISION

To create a world-leading UpStart ecosystem that is grounded in empathy for people and the planet.

By 2030, Aotearoa will be recognised as a vibrant UpStart ecosystem and a global leader in generating sustainable value creation.

We will achieve this by creating an environment motivating and supporting entrepreneurs from all corners of society; which is highly collaborative and connected, both domestically and globally; which attracts talent from all around the world; and which is supported by deep pools of capital.

This vision guides our understanding of the key challenges and opportunities for unlocking the potential of our ecosystem to grow our impact. It underscores our deep commitment to social and environmental responsibility and outcomes.

Achieving this vision will require us to prioritise the development of a robust support system that addresses the unique challenges and opportunities faced by New Zealand startups. This includes access to early-stage capital, strong networks, mentorship programmes, research and development collaboration, and a supportive regulatory environment.
MEASURES OF SUCCESS:

TRACKING OUR PROGRESS

To monitor progress towards achieving our vision by 2030 we have identified five key success indicators:

1. **5,000 active high-growth startups**: A vibrant ecosystem is reflected in a larger number of startups with clear growth pathways, as highlighted by Startup Genome.

2. **250,000 high-value, knowledge intensive new jobs generated by UpStarts**: The startup industry’s role in driving economic prosperity and creating high-quality jobs is recognized through this indicator.

3. **75 startups spun out of public research organisations per year**: Bridging the gap between academia and industry, we aim to facilitate the commercialization of research outcomes.

4. **Every year, five new startups reach $100m in revenue**: UpStarts play a crucial role in economic growth, attracting investment, and generating employment opportunities.

5. **Ensure underserved groups are represented at population parity**: We are committed to fostering diversity across all stages of the entrepreneurial journey, ensuring inclusivity and equal opportunities for founders, employees, and investors. We aspire to reach representative parity with our population, which means building a startup and investor cohort that is 17% Māori, 8% Pasifika and 52% women.

These success measures have also guided our efforts in understanding the challenges and opportunities for empowering an inclusive and thriving startup ecosystem that harnesses the potential of our diverse nation and contributes to sustainable innovation.

GUIDING PRINCIPLES

Our work is guided by a set of principles that reflect our values and commitment:

- **Ambition**: We strive to create outsized value and impact to change the world, embodying kaitiakitanga (guardianship).

- **Commercial success**: We celebrate wealth creation as a valid aspiration within the startup ecosystem. “Wealth” in the broadest sense; financial, social, economic, personal, community and as a country.

- **People-centric approach**: We prioritize the wellbeing of all individuals involved, embracing whanautanga (kinship) and manaakitanga (mutual respect) and recognising that sustained success is built on healthy foundations.

- **Mutual support and collaboration**: We foster a culture of togetherness and lifting each other up, extending our support to everyone and receiving the same back (kotahitanga), and support the best return on integrated goals through collaboration among stakeholders (puawaitanga).

- **Consistency**: We advocate for stable and consistent policy from government over decades to provide certainty and confidence.

- **Simplicity**: We strive for a navigable system with minimal obstacles, ensuring a straightforward entrepreneurial journey.

- **Patience**: We understand that significant financial, economic, and social success takes time, acknowledging the long-term nature of our objectives.
UPHOLDING OBLIGATIONS TO
TE TIRITI O WAITANGI AND PARTNERSHIP WITH MĀORI

This report is firmly rooted in the Council’s recognition and understanding of Māori as tangata whenua – the indigenous peoples of Aotearoa New Zealand – and their unique and ongoing relationship with the land as expressed in Te Tiriti o Waitangi.

At the heart of our vision for the UpStart ecosystem is the aspiration for a vibrant, sustainable, and equitable environment, where Māori participation and leadership are intrinsic. Such an ecosystem must be grounded in principles that affirm and respect Māori cultural values and protocols.

In developing our report, we have sought to engage with Māori entrepreneurs and leaders to gain a deeper understanding of their aspirations, challenges, and opportunities within the UpStart ecosystem. We have heard of the passion and dedication of Māori entrepreneurs who are innovating in ways that reflect their values, and we have also heard of the barriers they face. These include cultural misunderstandings, resource constraints, and social constraints.

To overcome these barriers, we believe there needs to be concerted efforts across the entire ecosystem to create an inclusive and supportive environment. The key to this lies in understanding and acknowledging the value of Māori perspectives and expertise, and integrating them into our strategies and practices. This means providing opportunities for Māori to lead and contribute.

Our recommendation to establish a Māori-led investment fund is an example of our commitment to partnership. The purpose of this recommendation is to build investment experience within Māori, and to provide a safe and supportive environment for Māori innovators and entrepreneurs to access funding.

The Ecosystem Accord is seen as a tool for operationalising the Council’s commitment to Māori. The Accord is intended to identify key non-government actors and outlines their roles and responsibilities in advancing collective goals, including Māori innovation, and upholding the principles of Te Tiriti.

Through this report and its recommendations, we are calling for all actors in the ecosystem to work together to create an environment where Māori innovation can thrive. By doing so, we are not only honouring the obligations of Te Tiriti o Waitangi, but are also enhancing the richness and diversity of our ecosystem.
Our work has also been guided by a broader commitment to diversity, equity, and inclusion (DEI). These values underpin all aspects of our report and its recommendations. They reflect our belief that a vibrant, sustainable, and equitable ecosystem must be inclusive of all members of our community.

New Zealand’s population is diverse and rapidly changing. We are a nation of many cultures, ethnicities, and backgrounds. Women, Pasifika, ethnic communities, and other underrepresented groups all have unique perspectives and contributions to make. Yet, we have heard that these groups often face barriers in participating in and contributing to the innovation ecosystem.

Through our consultations, we have gained insights into these barriers and the strategies needed to overcome them. We have heard of the need for targeted support, inclusive environments, and recognition of diverse forms of innovation. We have also heard of the immense potential and drive within these communities, which remain largely untapped.

For example, Pasifika have a unique relationship with New Zealand, marked by historical, familial, and geographical ties. Through targeted engagements, we have heard of the passion, creativity, and entrepreneurial spirit within Pasifika communities. We have also heard of the need for more culturally responsive support services and opportunities that acknowledge and value Pasifika cultures, knowledge, and aspirations.

Similarly, we recognise the critical role of women in innovation and the need to address the gender disparities within the ecosystem. Despite making up half of the population, women are often underrepresented in leadership roles and in certain sectors. They also face unique barriers, such as unconscious bias and other unique challenges. Our recommendations aim to address these issues and create an environment where women can thrive.

Similarly to the case of Māori, the Ecosystem Accord, in this regard, serves as a tool to operationalise our commitment to DEI. By embracing diversity, ensuring equity, and fostering inclusivity, we can enrich our ecosystem and enhance its success. We urge all ecosystem actors to take these values to heart and to strive to make them a reality.
ECOSYSTEM ASSESSMENT

To understand our current state, we commissioned Startup Genome to benchmark the New Zealand ecosystem. Startup Genome have advised on the ecosystem development strategy and action plans of more than 145 government and agency clients across six continents in 50+ countries.

Startup Genome surveyed our UpStart founders and executives, with a total of 176 responses received across 15 towns and cities. Startup Genome also carried out a series of targeted, in-depth interviews with 17 key players in the ecosystem to supplement the survey.

In parallel with the Startup Genome research, Council members held town hall consultation events and undertook research into the unique challenges faced by Māori and Pasifika communities.

KEY FINDINGS

The assessment of our UpStart ecosystem revealed several key findings, shedding light on the current state and areas for improvement.

Some of our strengths include:

• **Growing success story.** Rocket Lab, Xero, Allbirds, Sharesies, Gameloft, Seequent, LanzaTech, Straker Translations, Pushpay, PowerbyProxi, Aroa Biosurgery, Vend. These are just a few of our UpStarts that punch above their weight and have achieved global scale and success. The only clear pattern to this is persistent founders, who spotted a big problem and worked tirelessly and relentlessly to solve it. There are many more coming behind them.

• **High ambition.** Our founders are ambitious. They are more ambitious than many of those in our peer group ecosystems and believe that they are building globally competitive products.

• **Global market reach.** Our UpStarts are building global businesses, with the majority of their customers located outside the country. They create products and services with international appeal, despite our geographic isolation.

• **Growing investor ecosystem.** Many of our UpStarts have secured funding from some of the world’s leading venture capital firms. Our domestic venture capital market expanded dramatically from 2021 following the establishment of NZGCP’s Elevate Fund in 2020. Elevate has committed nearly $220m into nine venture capital funds, catalysing $1b of new venture investment for New Zealand UpStarts. Our angel investment community has consistently been recognised for doing the heavy lifting with our UpStarts over the last 20 years and has grown to investing over $200m per annum. The Edmund Hillary Fellowship’s (EHF) experienced founders and investors helped to raise a further $239m for New Zealand UpStarts.

• **Our Auckland ecosystem has reached a global level of maturity.** Auckland has moved into the Globalisation phase of the Startup Genome Ecosystem maturity model placing it alongside the likes of Sydney and Melbourne. Our startups in Auckland raise more money and faster than startups in other New Zealand cities. Auckland can play an important role supporting the growth of our regional UpStarts.
Our key opportunities for improvement include:

- **We can double the number of UpStarts in New Zealand.** We have around 2,400 UpStarts, with 58% in Auckland, 15% in Wellington, and 8% in Christchurch. Startup Genome research suggests the optimal number of UpStarts per million people is approximately 1,000. This suggests we can double our number of UpStarts.

- **$2b in new capital is required to double startups.** Our current UpStart investor ecosystem invests approximately $400m a year. We’ve estimated that doubling the number of UpStarts over the next seven years will require an additional $2b in new funding sources and then a sustained level of investment activity of $800m+ per annum after that.

- **We can significantly grow the number of UpStarts in our underrepresented communities.** We can achieve significant growth by focusing on the participation of underrepresented parts of our community today. While we punch above our weight globally with the number of female-led startups at 30%, there is clear capacity to grow this to closer to 50%. Māori are underrepresented at 10% compared to a population base of 17%, and Pasifika are less than 2% compared to a population base of 8%.

- **By getting better at asking for help, and improving the quality of the help, we can grow 2x faster.** We can make our startups grow faster and scale new heights by creating a highly connected ecosystem. Startup Genome’s global research indicates that startups operating in highly connected ecosystems grow 2.1x faster than those operating in poorly connected ecosystems. The data shows us that while Kiwi founders are good at making initial connections, we are poor at asking for help. Feedback also indicated that founders felt that many of the mentors or advisers they were connected to did not have relevant experience, particularly in scaling globally.

- **Our ecosystem is not currently serving our Māori and Pasifika communities well.** Awareness of available support appeared low, programmes appear to not be delivered in a way that provides an emotionally and intellectually safe place, access to capital is more challenging, and the level of ambition was generally considered by those consulted as lower than other parts of the ecosystem.

- **Our ecosystem is highly fragmented, lacks coordination, and is missing out on the opportunity to leverage a consistent set of best practices.** Our ecosystem today is highly fragmented and difficult for founders to navigate. Government support programmes are spread across multiple agencies, and coordination and knowledge sharing between our regions is haphazard at best.

- **Our research institutions and surrounding ecosystem are still learning how to create spinout companies from the research they conduct.** While New Zealand’s universities and Crown Research Institutes produce world-class research, we do not see a corresponding rate of startups being created that are based on scientific advancements or engineering innovations (both from within these research institutes and in the private sector).
We know that if we are successful in delivering a coordinated range of initiatives, programmes, and events to more effectively and with greater intentionality connect our founders, they will draw on each other and other relevant experts to create value more quickly.

Connecting our founders more effectively will accelerate their access to advice and talent and grow both the founders and their teams’ capability.

As the capability and connectivity of our UpStarts improves, they will become more appealing and compelling targets for investment.

If we accelerate connectivity, capability, and capital, we will foster a more powerful and ambitious culture of entrepreneurialism and investment in New Zealand. But culture and ambition involve leadership at every level of our society. Our challenge to our politicians is to embrace the potential that our UpStarts represent. This means celebrating their success.
CONNECTIVITY

Connecting our UpStarts more effectively to people who are able to help so that they grow faster.

The UpStart ecosystem in New Zealand can be described as noisy, fragmented, and disconnected. There is a plethora of public (local and central government) and private sector initiatives competing to support UpStarts. Our work has highlighted:

- A lack of coordination and collaboration between actors in our UpStart ecosystem.
- A fragmented approach to government support for innovation in the ecosystem.
- A challenge for UpStarts accessing the best domestic and international mentors or advisers.
- A lack of knowledge of what support is available inside Māori and Pasifika communities.

IMPROVING COORDINATION, COLLABORATION AND REDUCING FRAGMENTATION

1. Establish an adequately funded national coordination body and ministerial portfolio for the national UpStart ecosystem.

To address the fragmented ecosystem, we propose the establishment of a well-funded national coordination body dedicated to connecting different parts of the UpStart ecosystem, which we have called Accelerate Aotearoa.

Accelerate Aotearoa would serve as a central hub for collaboration, knowledge sharing, and coordination of efforts among various stakeholders. Most importantly, it would act as a navigator to our UpStart founders to help them find the right advice, grants, talent and capital needed to be successful.

We recognise the valuable work Global Entrepreneurship Network NZ is doing bringing ecosystem enablers together representing over 150 organisations.
Modelled after successful initiatives such as LaunchVic in Melbourne and Tech Nation in London, Accelerate Aotearoa will:

- Be led by a small group of 10-15 startup experts who are, or have recently been, directly involved in the growth of the New Zealand startup ecosystem.
- Take the lead role and be accountable for the implementation of the recommendations in this report.
- Represent and advocate for the UpStart ecosystem.
- Promote and encourage participation in our UpStart ecosystem to underrepresented segments of our community.
- Be a first port of call to connect UpStarts to the right government support programmes.
- Be a first port of call to connect UpStarts to domestic and global investors.
- Be responsible for measuring and reporting on progress of the development of our UpStart ecosystem.

Our recommendation is that Accelerate Aotearoa begin with a representation, leadership, and coordination role, but it may well evolve to either:

- Incorporate the related grant, ecosystem development and policy functions of Callaghan Innovation, New Zealand Trade and Enterprise (NZTE), NZGCP and MBIE, or
- Involve a merger of Callaghan Innovation, NZTE, NZGCP and the relevant policy function with MBIE.

Accelerate Aotearoa must be led by a respected UpStart industry practitioner and embrace the indigenous, diversity and inclusion principles presented in this report.

Alongside this, the establishment of a dedicated ministerial portfolio will bring the required focus and visibility required to ensure the success of the programme. It sends the message that the Government understands the significant value that a vibrant UpStart ecosystem brings.
LACK OF STRATEGIC AND COHESIVE APPROACH TO GOVERNMENT FUNDED INCUBATORS AND HUBS

Independent innovation hubs and government funded startup support programmes exist, but there is a lack of coordination, adequate support infrastructure, and focus on quality, across the country. Startups in different regions face varying levels of support, mentorship, and access to resources. This inconsistent approach and inequity hamper the growth of startups.

3. Establish a more cohesive national network and approach to incubator support programmes with an increased level of funding.

The objective is to eliminate duplication of effort; improve efficiency, effectiveness, and accessibility; and promote consistency. As part of this realignment, and in line with the recommendation above, we recommend concentrating resourcing around three national startup hubs located in Auckland, Wellington, and Christchurch. A particular focus should be placed on concentrating scaling programmes in Auckland given its maturity.

We acknowledge that focusing on the three cities creates challenges for those in our regions. Startup Genome makes it clear that without the requisite startup density, it is incredibly challenging to scale the impact and value being pursued. Startups and their founders need a density of aligned support, capital, and capability. For these three centres to be successful, they will need to foster scale by drawing on their regions and others. One of Accelerate Aotearoa’s key roles will be to foster and incentivise the creation of the requisite density. In support of the hubs, regions and other support agencies, Accelerate Aotearoa should be tasked with providing nationally coordinated resources which could include: subscriptions to international databases (e.g. Dealroom); nationally negotiated discounts with software service providers for startups (e.g. AWS, Xero, Microsoft); a national calendar of events; and best practise programme material.
ACCESSING THE BEST DOMESTIC AND INTERNATIONAL ADVISERS AND MENTORS

The Startup Genome research raised a number of challenges for us, which if addressed, could significantly impact how fast our UpStarts grow and scale. Some of these included:

- We generally connect well but we are not good at asking for help. As Startup Genome has advised, this is not just about pitching for investment or asking for connections to sales channels; this is getting advice on structuring an Employee Share Ownership Plan, getting help dealing with employee performance issues, or seeking advice on how to scale from 8 to 30 employees.

- Founders told us over and over that the best connections they make are with other relevant founders.

- Founders are often concerned that the mentors they are connected to lack the relevant technical or scaleup experience they are seeking.

Addressing the first of these challenges is a cultural conundrum for Kiwis. Accelerate Aotearoa should take the lead role in shining a spotlight on this challenge, engaging in the conversation, and shifting our thinking from “heads down, I can solve this” to “heads and eyes up, who can help me”.

4. Establish a systematic programme of founder and mentor connections.

Connecting founders. We recommend that Accelerate Aotearoa takes a role in coordinating and supporting regular founder meetups across the three regional hubs. This work would be to support, enable and promote current activity in the ecosystem.

Connecting founders to the best mentors. Currently the knowledge of where founder and mentor talent resides in New Zealand is spread across government agencies and the wider the ecosystem. We have some great “connectors”, people who know these people and have the strength of relationships to make the introductions, but the value and importance of this role is not widely recognised. We are therefore recommending that Accelerate Aotearoa recruit a small team of “connectors/relationship managers” and take a lead role in pulling together a national view of the scaleup talent that exists around our ecosystem. It’s critically important that this work recognise the privacy of the individuals involved and ensures that only quality connections are made. The work would involve tapping into and leveraging the talent connected to New Zealand through the Active Investor Plus programme, the EHF, NZTE Beachhead advisers, Callaghan Innovation advisers, and others. For example, EHF Fellows provided 5,000 hours of mentoring to our startups in 2022. This is an incredibly useful platform to build on and from.
Our consultation with Māori communities highlighted a number of challenges:

- A broader focus of aspiration than is apparent for our UpStarts in general.
- A focus on community and whanau benefits as well as profit.
- Very often unplugged from the activity we observe in the sector in general.

5. Establish and sustain ecosystem connectivity with leading global ecosystems.

We have heard that our UpStarts often face challenges establishing international connections that can help them access markets, expertise, and funding opportunities. The absence of strong connections with global industry clusters and international startup hubs limits our UpStarts from leveraging global networks and sharing best practices.

There is a need for the Government to continue to play a role facilitating global connections for our UpStarts. Those UpStarts who were part of Prime Minister Ardern’s trip to the USA in mid-2022 will attest to the incredible and ongoing value of the trip and the connections facilitated, which would have not happened or taken materially longer in the absence of this initiative.

We recognise the important and valuable role that NZTE plays in facilitating international connectivity for those UpStarts that can access its services. We would like to see the support expanded to include creating consistent, regular, ecosystem-level connectivity between New Zealand and the leading global startup ecosystems. The intention is to build relationships that our UpStarts can leverage, and to learn from the best. This would be a key function of Accelerate Aotearoa, and we would anticipate that any outbound visits would involve a delegation of UpStarts, Accelerate Aotearoa and other government agencies to explore these ecosystems.

6. Acknowledge Auckland’s maturity and continue to develop its concentrated capability.

The United States has Silicon Valley, the United Kingdom has London, Australia has Sydney, New Zealand has Auckland. According to Startup Genome research, Auckland has reached the Globalisation phase of ecosystem maturity, while our other centres remain in the Activation phase. Auckland has developed an important level of capability that supports the rest of our ecosystem.

In recognition of this, we recommend that Accelerate Aotearoa develops a strategy to continue the development and advancement of Auckland’s capability to progress it from the Globalisation phase to the Attraction phase on the Startup Genome maturity model. We anticipate that by Auckland advancing, this will spill over into our regional centres.

IMPROVING ACCESS TO THE ECOSYSTEM FOR MĀORI COMMUNITIES

Our consultation with Māori communities highlighted a number of challenges:
7. Partnership with tangata whenua.

In partnership with tangata whenua, and drawing on Te Tiriti O Waitangi principles, Accelerate Aotearoa will be tasked with developing specific plans for engaging with our Māori communities. It will also promote the entrepreneurs and success stories that originate from tangata whenua and are anchored in te ao Māori more deeply than our tauiwi startups.

8. Work with underrepresented communities, particularly Pasifika and women, to improve the diversity of our UpStarts.

Working with these groups, Accelerate Aotearoa will be tasked with developing plans to ensure greater representation and inclusion for not just Pasifika and women, but also our Asian, LGBTQi, and neural diverse communities, acknowledging that there is compelling and growing evidence of the value and impact founders from these communities create.
CAPABILITY

Powering up our UpStarts with the technical capability and global scaleup expertise needed to succeed.

Our founder meetings and survey results revealed that the talent challenge can be summarised as:

- A shortage of appropriately skilled and experienced UpStart workers, which needs to be addressed through a combination of workforce development programmes and targeted, but simple, immigration.
- Making it easier for our UpStarts to hire junior and diverse talent and ensuring our UpStarts are effectively plugged into the programmes providing them.
- Ensuring our employee share schemes are simple, flexible and valuable to align, incentivise and reward scarce talent.
- Promoting our UpStarts to future generations as a great career opportunity.
- Ensuring our public research organisations live up to their potential when it comes to producing UpStarts.
- Developing and retaining our best scientists so that they are available for our deep tech UpStarts.

SHORTAGE OF SKILLED AND EXPERIENCED WORKERS

Like many Kiwi businesses, our UpStarts face a shortage of skilled workers. They face particular challenges in critical roles such as software developers; deep tech experts; and executives with scaleup experience. The shortage of these roles hampers speed and the ability to scale.

As a whole, we do not produce enough software developers, and only a fraction of our UpStarts require developers with a multi-year university computer science degree.

In deep tech ventures, highly specialised knowledge and technical expertise is required. While we have the talent in New Zealand to start building deep tech UpStarts, they must look to offshore markets to expand.

When it comes to scaling our UpStarts we have distinct lack of executives experienced in international sales and marketing, commercialisation, and growing businesses quickly.


The national accreditation framework should be developed in collaboration with the Ministry of Education, the New Zealand Qualifications Authority, the UpStart community, industry stakeholders, training providers, and employers. It should define the standards and criteria for short-term on-the-job training programmes, ensuring they align with the specific needs of UpStarts. Robust monitoring and evaluation mechanisms should be in place.
to ensure the quality and effectiveness of the accredited programmes. Funding should be allocated to support the
development and implementation of the accreditation framework, including resources for training providers to
meet the accreditation requirements.

10. Refine immigration settings to ensure they are fit for purpose for
UpStarts and maximising the opportunity to attract talent.

We note the significant progress that the Government has made in recent times in refining and simplifying
immigration settings. That said, we see further opportunity to:

- Refine and streamline the Accredited Employer Work Visa settings.
- Introduce a dedicated Startup Visa.
- Create a Global Talent Visa.

Refining Accredited Employer Work Visa settings. This recommendation requires confirming it is simple and
easy for people with relevant startup skills to migrate to New Zealand under the AEWV, and that the programme
is right-sized for our UpStarts. A more fully resourced and tasked Accelerate Aotearoa entity might also ensure
people migrating to New Zealand to work for UpStarts have a clear pathway to home ownership and residency,
which is crucial for attracting people with these sorts of skills, talent, and experience. Accelerate Aotearoa would
also develop resources to assist UpStarts navigate the accreditation and immigration process.

Accelerate Aotearoa should also investigate whether it makes sense to accredit recognised investors (venture
capital firms, Callaghan-funded incubators, and others) under the AEWV, so that companies that they invest in
automatically receive, or have a streamlined pathway to, accreditation.

Reinstate a Startup Visa to attract global founders. The Global Impact Visa administered by the New Zealand
Government and the EHF was an example of accessing global innovation and investment talent. The EHF has
demonstrated the impact of this world-leading visa programme by attracting startup founders who have moved
to base their startup here (with committed investment). This is a key part of making New Zealand a globally
renowned startup ecosystem.

Our view is that we should capitalise on the unique opportunity that we present to global founders by building on
the experience of the Global Impact Visa and create a new Startup Visa category. This visa would be designed to:

- Encourage founders with world-changing ideas to start their business in New Zealand.
- Provide a window of time, maybe 12 months, for founders to establish a business in New Zealand
  and raise capital.
- Enable founders to bring their families to New Zealand and establish themselves here, including
  a pathway to purchasing a domestic property and residency.

Founders and their startup ideas should require endorsement or sponsorship from a recognised New Zealand
ecosystem actor. To progress this recommendation, MBIE should lead the policy development in collaboration
with the wider ecosystem and key actors.

Create a Global Talent Visa. There is an opportunity to capitalise on the global shift to more mobile workforces
and New Zealand’s reputation as a progressive, safe and stable democracy through the creation of a Global
Talent Visa. This would enable highly paid people with exceptional skills to migrate to New Zealand, but continue
with their offshore employment. Criteria for this visa could include a minimum global income of US$200,000 per
year, a requirement to continue in that employment while in New Zealand or to transfer the visa to an AEWV, and
a requirement to attend and participate in at least two New Zealand industry events a year.

This recommendation is targeted at growing the available pool of experienced mentors and advisers in
New Zealand.
11. Refine FIF rules to retain international talent and grow offshore investment networks.

Retaining global and returning talent. Skilled and wealthy migrants from the United States and returning Kiwi expats are being caught by double taxation on gains from investments they hold outside of New Zealand through our Fair Dividend tax Regime (FDR). Under FDR, they are taxed in the USA on capital account and in New Zealand on revenue account. While a four-year transitional exemption is in place, we are hearing from many that they are being caught by this and as a consequence are evaluating moving back to the USA. The impact is that we are losing the technical, scaleup and investment talent that we have gone out of our way to attract over the last decade.

We recommend that this issue be investigated under urgency, with a view to removing FDR on people caught under this double tax conundrum, to ensure we can attract and retain them in New Zealand.

Building offshore networks. Building domestic investment capability involves giving as well as receiving. This means our investors and venture funds need to co-invest with international investors in New Zealand and offshore. Also, some of our companies need to “flip” their head-office out of New Zealand as part of their global expansion plans and to attract offshore investment. When this happens, our patient Kiwi investors, including funds backed by the Government via NZGCP, are required to pay tax on highly illiquid investments. This adds significant complexity and cost for a marginal tax benefit under our current tax settings and makes it almost impossible for our domestic investors to deepen their relationships with offshore investors through co-investment. We recommend that UpStarts and UpStart venture funds be excluded from the FIF regime.

ENSURING OUR EMPLOYEE SHARE SCHEMES ARE SIMPLE, FLEXIBLE AND VALUABLE

Founding an UpStart or working in the early stage of an UpStart is inherently risky. We want to see our founders and their early employees being rewarded for this risk. The Employee Share Option Programme (ESOP) is the key mechanism, beyond a founding shareholding, for taking this risk and compensating people for taking a lower salary in a higher risk environment than traditional career paths.

In our town hall meetings, “ESOP angst” was one of the most passionately discussed challenges for our UpStarts. They shared the challenges and inequity for early UpStart employees, compared to investors, which they face under our current ESOP tax rules. The challenge relates to employees being taxed at the time they convert an Option into a Share, rather than when the Share is actually sold. The issue is particularly acute for founders who are motivated to hold Shares, which have voting and other rights attached to them, rather than Options which do not attach such rights. In UpStarts, the ability to be an owner and to maintain owner influence is an important motivator and drives alignment across the C-suite, particularly to create outsized impact and value.

12. Shift taxable event from the time of exercise of an Option to when the underlying Share is sold or remove tax on UpStart ESOPs.

Under our current tax rules, the difference between the exercise price of an Option and the value of a Share is taxable as income at the time the Option is exercised, as opposed to when the underlying Share is sold. This creates a taxable event for the founder or employee, and a requirement on the company to assess the underlying value of the Share at that time, which is an expensive and unproductive exercise. We recommend that:

- To the extent that tax is payable, this should only occur when the underlying Share is sold.
The IRD provides clear guidance on what it will accept as proof of value at the time of exercise. This is required to avoid unnecessary costs of obtaining expensive third-party valuations when Options are exercised (generally in excess of $20,000 per time).

Our experience is that there is no material tax value to be gained by pursuing tax on UpStart ESOPs, and we suggest that the compliance and administrative costs far outweigh the tax revenue gained. The simple option, which would align with this strategy to promote the ecosystem, would be to treat UpStart ESOPs on capital account.

BREAKING ESTABLISHED CAREER NORMS, AND MAKING IT EASIER FOR UPSTARTS TO TAKE EMPLOYMENTS RISKS

We see three particular challenges for career pathways in UpStarts:

1. Awareness of opportunity. There is a lack of awareness among students, particularly those from underrepresented communities, about the career opportunities available in UpStarts. Traditional career pathways are often more prominently promoted, leading to a limited talent pool for UpStarts. This lack of awareness hampers the ability of UpStarts to attract diverse talent and hinders economic mobility for individuals seeking careers in innovative industries.

2. Lack of resources or support for UpStarts to employ talent that needs to be nurtured. UpStarts, particularly those in their early stages, also often lack the resources to employ and develop junior employees with little or no prior experience. The cost of training and mentoring these employees can be prohibitive, leading to missed opportunities for UpStarts to nurture and grow domestic talent. The lack of support and guidance for junior employees within the UpStart ecosystem hinders their professional development and limits the growth potential of our UpStarts.

3. Loss of our best PhD and Master’s level science students. Deep tech founders and ecosystem leaders have highlighted that we are losing some of our best PhD and Master’s level students as a result of the pausing of the Callaghan Innovation Fellowship Grants. These grants were an effective mechanism for supporting research programmes and retaining talent in New Zealand. The loss of these grants has resulted in many highly skilled individuals taking lower paid, lower skilled jobs or, more frequently, shifting offshore for their subsequent careers.

13. Promote awareness of UpStart career opportunities and implement incentives to recruit and retain talent.

Actively promote the career opportunities in UpStarts to students. An awareness programme should be designed in partnership with schools, careers advisers, teachers, and existing initiatives, such as Young Enterprise Trust, to maximize its reach and impact. It should incorporate targeted outreach strategies to engage underrepresented communities and promote diversity and inclusion in our UpStart ecosystem. Collaboration with venture capitalists, industry associations, and organizations like Summer of Tech can enhance the programme’s effectiveness by connecting students with UpStarts and providing real-world exposure to the opportunities available. We also think an overarching workforce skills and development initiative should be developed to provide a comprehensive approach to addressing the skills gap and promoting career pathways in UpStarts.

An example of what this might look like is the “Working in the Cloud” event held in May 2023 in Wellington, which attracted over 800 high school students to learn about career opportunities in the tech sector.
Establish an employment subsidy scheme for UpStarts to employ and develop junior employees with little or no prior experience. This scheme is recommended to provide financial support to UpStarts for employing and developing junior talent and to include structured internship programmes that offer hands-on training, mentorship, and skill development opportunities. It should include an avenue to provide UpStarts with a resource toolkit that offers guidance and best practices for effectively mentoring and nurturing junior talent. Adequate funding should be allocated to support the implementation of a subsidy scheme. In designing a programme as described here, ensuring the requisite buy-in and commitment on the part of UpStarts must also be part of its formation.

Re-establish the Fellowship Grants for students pursuing a Master’s or PhD with an entrepreneurial pathway towards on the job, commercialisation experience. R&D Fellowship Grants are designed to provide funding support for students to undertake a PhD, or the research component of a Master’s degree, which is aimed at solving a technical or scientific problem for a business in a commercial environment.

Grants that provide co-funding toward the salary of a recent graduate provides a win for all parties involved; the student receives professional development; the employer gets access to cutting edge talent; and the university has a development pathway for its graduates into the commercial realm.

ENSURING OUR PUBLIC RESEARCH ORGANISATIONS LIVE UP TO THEIR POTENTIAL WHEN IT COMES TO PRODUCING UPSTARTS

We are not currently systematically spinning out enough deep technology startups from our public research organisations. The problem relates to incentives, commercialisation capability and the scale of funding.

The early work around Te Ara Paerangi Future Pathways and Wellington Science City is a promising start to creating a more connected, future-looking research, science and innovation system in New Zealand. However, there is a clear disconnect between these initiatives and the desire to create more UpStarts based on scientific advancements and engineering innovations. This is a missed opportunity in these once-in-a-generation reforms.

14. Fix research commercialisation from our public research organisations.

Key government initiatives such as Te Ara Paerangi Future Pathways and Wellington Science City should incorporate research commercialisation and deep technology venture creation as priorities. In our view, consideration should be given to:

- Developing and implementing a standard “spinout framework” for public research organisations. Acknowledging that each public research organisation has a different approach to spinout establishment, the creation and adoption of a standard spinout framework will help get institutions, academic founders, and investors to the same starting point. The recently published TenU “University Spin-out Investment Terms” guide is an example of this.

- Encouraging public research organisations to align remuneration to commercialisation outcomes. Create an incentive structure to support the career progression of academics equally, whether following an academic pathway or a commercialisation pathway.

- Ensuring commercialisation teams within our public research organisations are appropriately trained and resourced. Compulsory development by organisations such as the Alliance of Technology Transfer Professionals (ATTP) that provides the Registered Technology Transfer Professional accreditation and Knowledge Commercialisation Australasia will support our public research organisation commercialisation teams to be more effective at translating research.
A vibrant New Zealand UpStart investment ecosystem would exhibit the following characteristics:

- UpStarts are consistently created that go on to become high-growth, impactful and financially successful for their shareholders.
- Private investors that back them from "go to woah" and then recycle their returns back into a second portfolio of startups.
- Domestic and offshore venture funds that support startups to scale.
- Institutional investors consistently invest in the startup market.
- An UpStart and investment community that is diverse, inclusive and reflects New Zealand society as a whole.

We have a growing number of fantastic Kiwi UpStart success stories that have demonstrated to investors the potential our sector has to offer. Our private/angel investors have backed many of these companies and have been doing the early-stage heavy lifting.

Our domestic venture capital industry is growing.

The development of our domestic venture fund community has been a start/stop affair, but one that received a material boost in 2021 when the Government recommitted to investing in the sector with the creation of the $300m Elevate Fund under NZGCP. Elevate has now backed seven New Zealand based venture capital managers, investing into nine funds.

Offshore funds tend to be “fair-weather friends”.

Offshore venture funds have seen the success being created in our ecosystem and have been particularly active over the last five years. History, however, informs us that offshore funds are active in the good times but disappear in tougher economic conditions such as we have now.

Institutional investment in our UpStart ecosystem is nascent.

On a positive note, a number of KiwiSaver funds have started to enter into the UpStart and venture capital ecosystem. Some iwi, Community Trusts and the New Zealand Superannuation Fund have been active for some time. However, those institutional investors already participating tend to focus on growth stage investments, typically at Series B and beyond.
Our investment community can be and should be more diverse.

Limited data currently exists to assess whether our investment community is adequately diverse. Our angel investment community has been proactive in promoting diversity and our venture community has a number of strong female-led funds and team members representing a range of ethnic backgrounds. The New Zealand Superannuation Fund and NZGCP are also actively encouraging managers to improve the diversity of their teams.

However, despite this activity, significant scope remains for improving representation of Māori, Pasifika, women and other underrepresented communities in the investment community.

Today, our UpStart investment community is delicately poised.

Many of our investment managers are first time managers, who are yet to establish a track record of investment returns. Current economic conditions are challenging for raising capital and generating returns in the near term. In uncertain market conditions, private capital and institutional capital tends to focus on their current investment commitments and capital dries up for new investment.

The reality of this situation means that there is a continued need for the Government to play an active role in the ecosystem while venture fund managers prove their ability and private institutional capital becomes more readily accessible. Crucially though, government support must be consistently applied over decades. The stop/start nature of initiatives and overall inconsistent support, as has been seen over the last decade, leads to uncertainty and holds the sector back.

Time to double down.

Our work has highlighted the potential to double the size of our UpStart ecosystem. Doing so will have a significant impact on new job creation, productivity, and New Zealand’s economic prosperity. But it also highlights the capital challenge. Our current investor ecosystem invests approximately $400m a year. We’ve estimated that doubling the number of UpStarts over the next seven years will require $2b in new funding sources, and then a sustained level of investment activity of $800m+ per annum after that.

From this, we are clear that a two-pronged strategy is required:

**PRONG 1** - Maintaining government support for the ecosystem, which involves:
- Doubling down on the momentum recently created with the NZGCP Elevate Fund.
- Accelerating development of wider investor capability.
- Improving Māori access to capital.

**while**

**PRONG 2** - Promoting and building deeper pools of institutional and private capital, which involves:
- Removing barriers from our KiwiSavers investing in the sector.
- Incentivising more private investment in the sector - from pre-seed and angel through to Series A and beyond.

Importantly, the investment sector needs a patient and consistent approach to government policy in this area – one that sustains changes in government leadership and one that is patient regarding the generation of financial returns.
DOUBLING DOWN ON NZGCP AND BUILDING INVESTOR CAPABILITY

15. Commit $500m over the next ten years to the NZGCP Elevate programme.

Provide UpStarts with a stable and consistent source of capital by committing a further $500 million over a ten-year period to the NZGCP Elevate Fund. This long-term commitment will reduce uncertainty for fund managers and UpStarts and enable continued investment across multiple fund cycles. We think it is essential to develop a clear allocation strategy and timeline for the capital committed to Elevate to sustain the development of the sector and ensure continued availability of capital to our UpStarts.

This allocation can end once the Prong 2 recommendations have been implemented and demonstrated results.

16. Allocate $50m to kick-starting seed funds and repurpose the NZGCP Aspire programme.

Our view is that the public sector should stand behind the private sector when it comes to making investments in UpStarts and not be a direct investor, unless there is a clear gap in the ecosystem. Being a direct investor can place the Government in competition with the private sector and lead to crowding out of private capital.

To build investor capability, align private and public interests, and streamline the investment process for our UpStarts, we recommend that a seed fund programme be created. This would be similar to the Elevate Fund and invest in seed-stage funds that are aligned with investment groups, primarily angel groups. These should be formal funds with small, dedicated management teams, and range in capital size between $10m and $20m.

The implementation should involve allocating $50m to NZGCP, and be supported with operating funding as outlined in recommendation 17. This allocation should be repeated every three years or be replaced by the tax incentive scheme outlined below.

With this allocation, NZGCPs direct investment programme should be wound back or targeted at specific sectors where existing private investor capability is not addressing the need.

17. Provide fee support for operating sub-scale funds.

The global fee benchmark for operating an investment fund focussed on UpStarts is to charge 2% of funds under management. Anti-Money Laundering compliance, audit and other regulatory costs all come from the 2% fee – for sub-scale funds below $100m, this can leave minimal funds to build a capable investment team to carry out typical activities such as deal sourcing and due diligence required to operate effectively.

We therefore recommend that NZGCP be funded to provide “top-up” fee support to sub-scale funds that it chooses to back, to ensure that the right level of resource and capability is in place to execute on their investment strategies.

This recommendation will support the development of deeper pools of investment capability in the UpStart ecosystem. There is a precedent for this in the operating funding support that Callaghan Innovation provides to incubators.
Early-stage startups, especially those pre-revenue and/or without a properly developed product, are very high risk and have a high failure rate. Their first external funding often comes from high-net-worth-individual angel investors, who are putting their own money on the line to back the founder and their idea.

Without angel investors, the pipeline of startups would almost cease to exist.

There are approximately 900 angels in over a dozen networks across the country which are investing in over 100 startups every year. In order to double the number of startups, the country needs a refreshed and much larger cohort of informed and supported angel investors.

To ensure our recommendations to amplify funding for NZGCP receives the requisite matching funding from the private sector, the early-stage and startup funding community, which includes the Government, will need to implement and execute a national programme to promote investment into the asset class. This programme will also support the recommendations which follow relating to greater KiwiSaver involvement in venture investment.

Supporting the growth of Māori-led UpStarts, and Māori investor participation in UpStarts, is vital for achieving the growth, diversity and inclusion objectives of this ecosystem strategy. We support the work led by the Reserve Bank of New Zealand (RBNZ) and Treasury to provide ministers with further advice and options to address the barriers and biases faced by Māori with accessing capital for their businesses. This is also a concern we’ve heard from our targeted consultations with tangata whenua. We are also supportive of the recent recommendation from Maranga Ake: Future of Work Working Group’s recommendation for the Government to establish a dedicated $20m fund for Māori startups.

Improve access to seed and venture capital for Māori entrepreneurs, and grow Māori investment experience, by supporting the establishment of a Māori-led fund with a capital commitment of $20m towards a $50m fund.

Building on recent experience in attempting to create a Māori-led fund, we would expect that this fund would raise capital from iwi and other private investors alongside the Government contribution. The fund must be led by Māori with the support of the wider investment ecosystem to share knowledge and experience. The fund should have a strong financial return imperative, but have a preference towards sourcing, developing, and investing in Māori-led businesses. Financial returns are important to legitimise the asset class and encourage long-term investment from iwi.
REMOVE PERCEIVED BARRIERS TO KIWISAVERS INVESTING IN UPSTARTS

A quirk of the design of our KiwiSaver retirement saving programme is that it has made it very difficult for KiwiSaver managers to allocate capital to illiquid assets. Illiquid assets cover investments into unlisted assets including private equity, infrastructure, and venture capital.

Globally, over decades, investments into these asset classes have proven to be a major driver in long-term value. New Zealanders are missing out on the returns being generated from investments in these asset classes, something highlighted by the recent IRD high-wealth individuals research project.

RBNZ data indicates that the total value of KiwiSaver funds in New Zealand was $97b at March 2023, of which 0.18% was invested in unlisted shares. By way of comparison, the US 2022 NACUBO-TIAA Study of Endowments indicates that long-term endowment managers typically allocate 30% of their funds to private equity and venture capital, exceeding their 28% allocations to public equities. We understand that the New Zealand Superannuation Fund has a similar allocation. This gap suggests that New Zealanders are being deprived access to a significant growth asset class.

We consulted with a range of KiwiSaver providers to better understand the challenges they face in allocating capital to UpStarts and venture fund managers. Encouragingly, we observed that a number have started investing in the sector, while others remain on the side-lines. The issues raised were:

- Requirement for daily liquidity. KiwiSaver members are allowed to switch their savings between funds at any time, requiring managers to provide a bias for liquidity in their portfolios.
- Intense focus on fees. KiwiSaver managers are benchmarked against fees and returns. Investing in venture funds and other forms of private equity increases overall fees and creates a short-term drag on returns (most funds will report negative returns in the first three to five years of operation, before going positive).
- Daily valuation. In support of daily liquidity, KiwiSaver managers need to be able to mark illiquid assets to market regularly. Those managers who are investing in the sector have developed the capability to do this between the quarterly reporting cycle of the venture fund managers, but others have not.

We also observed that the level of understanding of how venture capital and private equity worked – the drawdown profile, risk/return profile, the J-curve effect – was surprisingly nascent.

Our view is that New Zealanders should all be able to access the dynamic, high-growth investment opportunity that investment in UpStarts represents, and that these “blockers” should be removed to enable capital the opportunity to flow. Doing so will see more of the returns and jobs from our very best UpStarts being retained in New Zealand over the long-term.

20. Make it easier for KiwiSaver funds to invest in UpStarts and venture funds.

This recommendation involves four components that work together to reduce the barriers (perceived or otherwise) for KiwiSaver funds investing in UpStarts or venture funds investing in UpStarts:

1. Liquidity backstop. We propose that the Government use its balance sheet to guarantee the short-term liquidity of any investments in an eligible New Zealand venture fund. In-principle, this guarantee would mean that if a member withdraws, transfers, or triggers a fund to move outside its internal approved allocations to the venture class, the Government would stand-in as a buyer and subsequently seek to sell that interest to another fund. This recommendation would eliminate liquidity as a barrier to investment in venture funds.
2. Consider moving from daily liquidity to 90-day liquidity. We recommend that consideration be given to adjust the current daily liquidity requirement to 90-day liquidity to reduce potential short-term switching volatility and provide more operating certainty for KiwiSaver funds willing to invest in illiquid assets. 90-day liquidity would be more consistent with how the wider savings industry operates globally.

3. Break out fee / return reporting for KiwiSaver investments in illiquid assets. We propose that the fee reporting regime be refined to break out the underlying asset classes that KiwiSaver managers are investing in. The reporting could be done in a way that celebrates investments in New Zealand illiquid assets – infrastructure, private equity, venture capital – that help grow New Zealand.

4. Provide guidance on asset allocation. The Australian Prudential Regulatory Authority (APRA) provides guidance to the licensed savings industry on asset allocation policy. Providing similar guidance to the New Zealand KiwiSaver industry will help build confidence in allocating capital to illiquid assets.

PROVIDE A POSITIVE INCENTIVE FOR INVESTMENT IN UPSTARTS

Our medium-term vision for the UpStart capital market is to see it develop into one that can stand alone without on-going government support. We would like to see a future where New Zealanders think about growing wealth through investing in a diversified range of UpStarts rather than our current default thinking of investing in property.

We have observed that many of our peer countries, notably Australia and the United Kingdom, have implemented tax incentives to motivate investment in the venture and startup asset class. These incentives have typically involved:

- Capital gains concessions (typically tax free) for investment in UpStarts or UpStart funds.
- Deductibility from income for a certain dollar proportion of investments in UpStarts or UpStart funds.

While New Zealand does not currently have a capital gains tax, we note that there is no clarity or bright-line test over what classifies as being on capital account versus revenue account, generating a fair amount of ambiguity, uncertainty, and periodic scrutiny on behalf of the IRD.

The recommendation aims to expand the number of participants in New Zealand’s early-stage capital markets by providing tax incentives for investments in UpStarts and UpStart venture funds. We recommend that officials carefully review the Australian and UK tax concession schemes and develop something tailored to the New Zealand setting.

By way of example, the Australian Early Stage Innovation Company (ESIC) scheme provides tax deductions for investments and capital gains tax exemptions. Following this scheme, consideration could be given to a deduction from income up to 30% of capital invested directly in an UpStart or an UpStart venture fund, capped at maximum deduction of $200,000 per year, with the ability to carry forward unused deductions. The deduction should apply to individuals and investment funds like KiwiSavers, and consideration should be given whether the cap for institutional investors could be higher, promoting larger investment commitments.

We roughly estimate that such a scheme, without applying the cap, would have a cost of $40m at current investment levels and has the potential to bring significant leverage.

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2027</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private angel capital</td>
<td>$200.00</td>
<td>$400.00</td>
<td>Young Company Finance</td>
</tr>
<tr>
<td>Venture investment</td>
<td>$200.00</td>
<td>$400.00</td>
<td>Young Company Finance</td>
</tr>
<tr>
<td>Total funds invested</td>
<td>$400.00</td>
<td>$800.00</td>
<td></td>
</tr>
<tr>
<td>Tax deduction</td>
<td>30%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Average tax rate</td>
<td>33%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Forgone tax revenue</td>
<td>$39.60m</td>
<td>$79.20m</td>
<td>Offset by increases in GST and PAYE</td>
</tr>
</tbody>
</table>
CULTURE

Celebrating our successes and embracing our UpStart ecosystem as a key lever of growth and prosperity for all the people of Aotearoa

The “tall poppy” syndrome is alive and well in New Zealand. We struggle to embrace and celebrate the success that our UpStarts might enjoy as a result of the huge risks that they have taken. Building a successful UpStart is a team effort that involves founders, a committed team, and Investors. The journey is not a straight line and involves frequent adversity. It takes tremendous resilience and grit. We look forward to a time when, as a nation, we regularly acknowledge and celebrate these successes and our children see the potential that our country and UpStart ecosystem have to offer them.

TELLING OUR STORIES REGULARLY

We do not regularly and consistently tell the stories of the power and impact of our UpStarts and the journey of our founders. Our mainstream media do a reasonable job of occasionally telling some stories, but these stories rarely reach our underrepresented communities.

Building an UpStart requires tenacity, grit, and endless reservoirs of resilience. Growing the business, managing daily capital, building teams, and raising capital entails putting yourself out there with the real prospect of not succeeding.

We need to celebrate our successes and embrace failure with more compassion. Our greatest Kiwi heroes have all experienced failure. We understand it and appreciate this in our sports teams; we need to foster this understanding and support for our UpStarts and UpStart investors.

22. Coordinated programme of storytelling.

This recommendation is for Accelerate Aotearoa to develop a programme to regularly gather our stories and promote these to our wider community, including schools, businesses, and industry associations, through all forms of media, about what it takes to be a founder and scale an UpStart. We particularly would like to see more of our Māori and Pasifika founders telling their stories to their communities.

Ensuring our politicians have their attention drawn to these stories would reap benefits through increased awareness and understanding of the benefits of UpStart failure, UpStart success and their sale to offshore entities. These sales ensure Kiwi technology and IP continues to scale and create impact and thereby ensures knowledge, reputational kudos, connections, and wealth circulate back to New Zealand and New Zealanders. Storytelling is an important avenue to help people understand these outcomes.
LACK OF CONSISTENT KEY DEFINITIONS AND TERMS

One of the primary challenges facing the promotion and harnessing of New Zealanders’ entrepreneurial spirit is the absence of a consistent definition of “startup”, “scaleup” … and now “UpStart!”

23. Establish common definitions of key terms and promote these across government departments and agencies.

To address this challenge, we recommend that Accelerate Aotearoa work with the ecosystem and establish a common understanding of what “startup” and “scaleup” mean. This will be anchored in the new term the Startup Council has coined for both – UpStarts.

This agreed definition can then be circulated across government, academia, private sector, the media and other agencies for consistent application and awareness. A shared understanding will enable accurate data collection, analysis, and monitoring of the health and growth of the sector across government. It will enable the implementation and delivery of policies directly targeted at these ambitious high-growth entities, and support awareness and attraction of domestic talent and capital.

THE NEED TO IMPROVE DIVERSITY, EQUITY, AND INCLUSION

Underrepresentation of our marginalised communities – Māori, Pasifika, women, Asian, LGBTQi, neural diverse – means that entrepreneurial and UpStart talent is going untapped.

These are potential founders who, research shows, do more with less capital, whose UpStarts survive longer and when they scale tend to be with businesses that are more sustainable, valuable, and impactful. By not addressing the need for greater diversity in our founder cohort and UpStart teams, we are limiting opportunities for more innovation and perpetuating social inequalities.

24. Promote greater diversity, equity, and inclusion in the UpStart ecosystem, particularly for Māori, Pasifika, and women.

In the first instance we need to support better data collation and reporting mechanisms to understand and address the barriers faced by underrepresented groups. Ministers and MBIE can direct agencies and recipients of government funding to comply with these mechanisms, promoting diversity and inclusion across all government-funded support services.

Elevate supported funds can be required to report on the diversity of their investment committees and the number of investments being led by underrepresented founders.

The New Zealand industry term sheet and related document templates could include provisions raising awareness about the need for greater UpStart team and governance diversity.

4. Startup Genome, First Close Partners and Golden Seeds
LIMITED GOVERNMENT SUPPORT FOR UPSTARTS THROUGH PUBLIC SERVICE PROCUREMENT

Our founders have told us that they are largely excluded from public sector procurement processes. Government procurement processes favour established and/or multinational companies, making it challenging for UpStarts to secure government contracts and contribute to public sector innovation.

This is a problem that spans software services, deep tech and health procurement. In deep tech, there are significant opportunities for the public sector to partner with the UpStart sector to drive significant change. In the health sector, many of the drugs and medical devices that our UpStarts create are not seen in New Zealand before they are well established offshore.

25. Require the public sector to include UpStarts in the procurement process.

To enhance government support for UpStarts, we recommend that the public sector be directed to actively invite and consider bids from New Zealand UpStarts. These are companies that in many cases the Government has invested in helping create. Strengthening the rules and creating more opportunities for UpStarts to contribute to government projects will lend credibility to our UpStarts enabling them to grow faster, it will also foster a culture of support and innovation within the public sector.
## SUMMARY OF RECOMMENDATIONS

### CONNECTIVITY

<table>
<thead>
<tr>
<th>NATIONAL COORDINATION BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish an adequately funded national coordination body and ministerial portfolio for the national UpStart ecosystem.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CLUSTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a network of geographic and industry-specific clusters.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HUBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a more cohesive national network and approach to incubator support programmes with an increased level of funding.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MENTOR CONNECTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a systematic programme of founder and mentor connections.</td>
</tr>
</tbody>
</table>

### GLOBAL CONNECTIVITY

<table>
<thead>
<tr>
<th>AUCKLAND’S ROLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledge Auckland’s maturity and continue to develop its concentrated capability.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PARTNER WITH MĀORI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership with tangata whenua.</td>
</tr>
</tbody>
</table>

### ENGAGEMENT

<table>
<thead>
<tr>
<th>ENGAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work with underrepresented communities, particularly Pasifika and women, to improve the diversity of our UpStarts.</td>
</tr>
</tbody>
</table>

### CAPABILITY

<table>
<thead>
<tr>
<th>ACCREDITATION FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a national accreditation framework for short-term on-the-job training programmes for software developers and related critical skills in UpStarts.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IMMIGRATION SETTINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refine immigration settings to ensure they are fit for purpose for UpStarts and maximising the opportunity to attract talent.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FOREIGN INVESTMENT RULES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refine FIF rules to retain international talent and grow offshore investment networks.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TAX AND ESOPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift taxable event from the time of exercise of an Option to when the underlying Share is sold or remove tax on UpStart ESOPs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAREER AWARENESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote awareness of UpStart career opportunities and implement incentives to recruit and retain talent.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESEARCH COMMERCIALISATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fix research commercialisation from our public research organisations.</td>
</tr>
</tbody>
</table>
CAPITAL

VENTURE CAPITAL
Commit $500m over the next ten years to the NZGCP Elevate programme.

ANGEL/SEED
Allocate $50m to kick-starting seed funds and repurpose the NZGCP Aspire programme.

SUB-SCALE FUND SUPPORT
Provide fee support for operating sub-scale funds.

INVESTMENT PROMOTION
Deliver a programme to promote and support angel and venture investment.

MĀORI-LED FUND
Promote the establishment of a Māori-led venture fund with dollar matching co-investment.

KIWSAVER
Make it easier for KiwiSaver funds to invest in UpStarts and venture funds.

TAX INCENTIVE
Introduce a tax deduction for investments in UpStarts and UpStart funds.

CULTURE

STORYTELLING
Coordinated programme of storytelling.

ESTABLISH DEFINITIONS
Establish common definitions of key terms and promote these across government departments and agencies.

SUPPORTING DIVERSITY
Promote greater diversity, equity, and inclusion in the UpStart ecosystem, particularly for Māori, Pasifika, and women.

PROCUREMENT
Require the public sector to include UpStarts in the procurement process.
While the recommendations outlined in this report largely focus on the Government’s role in advancing our vision for a thriving UpStart ecosystem, we acknowledge that progress cannot be made through government action alone. The successful realisation of our collective vision depends on the concerted efforts of all stakeholders, including academia, investors, entrepreneurs, and importantly, the private sector.

ESTABLISH AN ECOSYSTEM ACCORD

Drawing inspiration from the Industry Transformation Plans developed by the New Zealand Government, we propose an Ecosystem Accord that will act as a guide and commitment for non-government stakeholders to actively contribute towards a vibrant and inclusive UpStart ecosystem.

This collective commitment will bridge the gap between established entities and UpStarts, facilitating knowledge sharing, collaboration, and shared prosperity. By engaging all stakeholders, we can collectively progress towards our vision of an inclusive, robust, and successful UpStart ecosystem.

Key components and considerations for the Accord

- **Shared objectives:** This will be the North Star of the Accord. It’s crucial to establish a shared understanding of the Accord’s aims and our vision for what a thriving startup ecosystem looks like.

- **Roles and responsibilities:** Clear, defined roles and responsibilities for each key player are essential. This will ensure every player, from government, academia to the private sector, knows what is expected from them.

- **Monitoring and evaluation:** A set of key performance/outcome indicators will be established to measure progress towards the shared objectives. Regular reporting, review and analysis will ensure the Accord stays on track.

- **Flexibility:** The Accord needs to allow for adjustments and amendments based on lessons learned and changes in the broader ecosystem.

- **Facilitating:** The Accord will encourage, and through Accelerate Aotearoa, facilitate and support ecosystem participants to work together, under formal and informal arrangements, to lead or advance the delivery of the Startup Advisors Council recommendations.
Role of the Council in Implementing the Accord and Wider Recommendations

We propose the successor to the current Council plays a role in both the creation and implementation of the wider recommendations adopted by the Government. Here's how:

- **Governance:** The successor to the Startup Advisors Council - the Startup Council - will act as a governance entity to ensure the aims and aspirations of those who contributed to this report are delivered. The Council will hold Accelerator Aotearoa to account, ensuring it delivers on this report’s vision, that the right ecosystem culture is developed, and will monitor Accelerate Aotearoa to ensure it stays tightly focused on execution of this report’s recommendations.

- **Advocacy and coordination:** The Council will communicate the contents of the Accord and the wider set of recommendations to all stakeholders. This involves advocating for the agreed-upon objectives and ensuring that all parties understand their roles and responsibilities.

- **Policy advice:** As the wider set of recommendations are implemented, the Council will provide feedback to the Government on their impact, suggesting adjustments if necessary. They will also relay any concerns or suggestions from stakeholders back to the Government, acting as a two-way communication channel.

- **Continual monitoring and adaptation:** Over time, the Council will support with monitoring and evaluation of the Accord and the wider recommendations. This ensures that as the ecosystem evolves, the strategies in place can evolve too, keeping the ecosystem vibrant and resilient.
ACKNOWLEDGMENTS

We would like to express our genuine gratitude to all those who have contributed to the development of this report and supported our mission to advance New Zealand’s startup ecosystem. We are humbled by the collective efforts and unwavering commitment demonstrated by numerous individuals, organisations, and institutions throughout this journey.

First and foremost, we extend our deepest thanks to the entrepreneurs, founders, and startup teams who have shared their stories, challenges, and aspirations with us. Your insights and experiences have provided invaluable context and perspective, shaping the foundation of our recommendations. It is your dedication, resilience, and innovation that form the bedrock of New Zealand’s startup ecosystem.

We acknowledge and appreciate the contribution of industry leaders, investors, and mentors who have generously shared their expertise and wisdom. Your guidance and support have helped us navigate complex issues and develop strategies that foster growth, collaboration, and success within the startup community.

We also acknowledge the significant role played by government agencies, educational institutions, and research organisations in supporting entrepreneurship and innovation. Your commitment to providing leadership, resources, programmes, and funding opportunities has been instrumental in nurturing a vibrant startup ecosystem. Special mention is also due to regional economic development teams who support and grow innovation activity across the country. Sincere thanks to the MBIE Secretariat team that have steered and assisted us to develop our submission.

We would like to express our gratitude to the wider community, including those running incubators, accelerators, and co-working spaces. Your commitment to fostering a culture of entrepreneurship, collaboration, and knowledge sharing has been essential in creating an inclusive and supportive ecosystem for startups.

We acknowledge Māori as tangata whenua, their rich cultural heritage, and the knowledge that has been passed down through generations. We are grateful for the guidance and wisdom of our indigenous ancestors, whose teachings continue to inspire us as we navigate the complexities of modern entrepreneurship. We are grateful for the inspiration and example that those mana whenua we spoke to, and all startup founders who whakapapa Māori, provide for us of an entrepreneurial, innovative heritage anchored in tikanga which generates value, and which includes financial returns, and creates value and returns for the wider community, for future generations and for papatuanuku.

The completion of this report and the realisation of our vision for a thriving startup ecosystem in New Zealand is a testament to the collaborative spirit and collective efforts of all those mentioned above. It is through our shared dedication and commitment that we can unlock the true potential of our startup community, shape a prosperous future, and create a legacy of innovation for generations to come.
In the context of this report, we have introduced and utilised certain key phrases and terms with specific connotations. For readers to fully grasp the context and implications of our findings and recommendations, it’s crucial to understand these key terms. Among the most significant are:

- **Accelerate Aotearoa**: A proposed agency dedicated to boosting the entrepreneurial ecosystem in New Zealand. Its functions include implementing the recommendations in this report, fostering collaboration among ecosystem stakeholders, and promoting New Zealand’s UpStart ecosystem on the global stage.

- **Ecosystem Accord**: A proposed pact between non-government stakeholders that aims to drive collective action towards fostering a thriving, inclusive, and innovative entrepreneurial ecosystem in New Zealand.

- **Entrepreneurial Ecosystem**: The interconnection of entrepreneurs, supporting organizations, and other elements (e.g. policies, culture, capital, etc.) in a specific geographical location that contribute to the process of creating new firms.

- **Founders**: The individuals who establish and build up a startup or an UpStart. They bear the risks of the venture and work to scale and grow the business.

- **UpStarts**: A new term coined by the Startup Advisors Council to encompass both startups and scaleups. These are high-growth entities that drive innovation, create jobs, and contribute to the economic prosperity of New Zealand.

- **UpStart Ecosystem**: The network of stakeholders, including UpStarts, investors, support organizations, and others, that collectively contribute to the process of creating, scaling, and supporting UpStarts.

- **UpStart Investors**: Individuals or entities that provide capital to UpStarts. They play a crucial role in the UpStart ecosystem, fuelling growth and innovation.