## Self-Sustaining Start-up Ecosystem

With strong Government support for the innovation ecosystem in Singapore over the past 20 years, we have witnessed several "green shoots" in Singapore's ICM start-up scene. One of the recent success stories is Viki, a Singapore-based video streaming website, which was reportedly acquired by Rakuten, a leading Japanese electronic and Internet company, at an estimated US$200 million. Recent accelerator programmes by IDA and the establishment of Block 71 further strengthen the start-up ecosystem.

However, more remain to be done. In the recent Start-up Genome Report 2012 by Telefonica Digital, Singapore is ranked 17 out of the top 20 start-up ecosystems. In terms of capital, Singapore start-ups are reported to be 88 per cent undercapitalised compared to Silicon Valley start-ups. In terms of mentorship, Singapore start-ups also have on average 35 per cent less mentorship compared to their peers in Silicon Valley.

We believe that savvy private sector investors can play a bigger part in the start-up ecosystem and complement the Government's support for the growth of Singapore ICM start-ups. Besides investing in ICM start-ups, these investors can serve as mentors, and provide valuable contacts and market feedback.

One idea being explored to enable such participation is to develop a trusted equity crowdfunding hub to bring together promising start-ups and savvy private sector investors. With proper information disclosure and transparent governance, an appropriate regulatory framework can be developed to safeguard the interests of investors and entrepreneurs. Start-ups can also receive much earlier signals on market and investor interest to their products.


Besides equity crowdfunding, we are exploring the use of tax incentives to encourage savvy private sector investors to invest in selected start-ups that we want to groom. An example will be the UK's Seed Enterprise Investment Scheme ("**SEIS**"), which has assisted over 1,100 start-ups by giving them access to investment. Companies have raised over £82 million through the scheme since 2012[1]. According to the UK Treasury, £1.3 million of SEIS funding is now being raised by 19 companies every single week. The primary value of such a scheme is to provide structure and clarity of “investment in innovative businesses” as an asset class for investors.

Tapping on the expertise, international connections and capital of the private sector investors, ICM start-ups can invest more in developing compelling new products and services. They will also be driven to improve the quality of their business model. When these start-ups become successful, they can in turn grow and manage future start-ups. This could then lead to future start-up ventures that are more likely to be globally competitive. Besides helping other start-ups, the successful start-up CEOs could become serial entrepreneurs, attracting more investors and building new companies with improved and compelling value propositions.

## Opportunities for the ICM sectors

### *Magnet for Global Start-ups and Venture Capital*

As equity crowdfunding is a relatively new idea in Asia, Singapore can position itself as Asia’s premier equity crowdfunding hub. This can help strengthen our ICM sectors by attracting promising start-ups which need funding and business expertise to Singapore. The growth in the number of start-ups in Singapore will in turn attract venture capitalists (“**VCs**”). This creates a self-reinforcing cycle which results in wider economic benefits, such as job creation and cutting edge ICM capabilities, for Singapore.

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[1] Source: “Government Incentives help 1,100 companies lift off”. Gov.UK, published 7 November 2013.