

## Singapore's Strategy to Help Tech Startups Grow

Singapore has a population of fewer than six million people, making it one of the smaller ASEAN countries. It is also a young nation, having won independence in 1963. Singapore has surpassed the expectations of many analysts and experts while becoming a technological hub. In Singapore, rightly dubbed a "miniature Silicon Valley," 80 of the world's top 100 tech businesses have a presence. This is due to the city's innovative culture, strong intellectual property regulations, and prominence as a financial hub. Singapore has established itself as one of the world's top hubs for technical innovation, as well as a destination for entrepreneurs of all sizes, both domestic and foreign. According to a survey issued last year by the Startup Genome Project in the United States, Singapore has surpassed Silicon Valley as the world's number one for start-up talent, with 10,000 start-ups and 300 partner businesses.

Singapore has developed a start-up ecosystem that is home to hundreds of innovative digital businesses, a rising number of venture capitalists, and many unicorns that were either created or built headquarters in the nation. Other countries, in turn, have questioned how to duplicate the country's success in creating a start-up environment. The ecosystem's development has been assisted by a mix of government backing, education, global links, banking and asset management skills, and other factors.<sup>1</sup>

In terms of future forecasts, PricewaterhouseCoopers (PwC) estimated in 2015 that tech-enabled start-ups will contribute around 2% of Singapore's GDP by 2035. That number was about equivalent to the tourist sector's contribution to GDP at the time. Similarly, PwC anticipated that by the end of the year 2035, tech-enabled start-ups will employ 168,000 individuals, or slightly under 5% of the country's overall employment. PwC also predicted that job creation from Singapore's start-ups would have a regional ripple effect, with each job generated by a start-up possibly producing 2.5 more employment in Southeast Asia at the time of these estimates.<sup>2</sup>

Singapore is now a frontrunner in terms of venture capitalist (VC) and private equity (PE) investment among its Association of Southeast Asian Nations (ASEAN) neighbors. In 2018, Singapore and Indonesia accounted for over 80% of all PE and VC activity in Southeast Asia, with Singapore accounting for the majority of the activity<sup>3</sup>. Singapore has been responsible for well over half of the entire aggregate value of deals in the ASEAN area since 2014, and in 2019, Singapore spent about 75% of total VC dollars in the region, strengthening its leading status among its neighbors<sup>4</sup>. On a more detailed level, roughly S\$10.9 billion was invested in 592 start-ups in 2019.

Incubators, accelerators, and other intermediate organizations supporting start-ups in Singapore are listed in the ESG database. Many of these groups, such as corporate accelerators funded by multinational corporations and Blk 71, which has been dubbed "the world's most densely packed entrepreneurial ecosystem," have a presence in numerous nations. The Start-up SG Accelerator (SSGA) has aided several

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<sup>1</sup> "Eliasz, Toni; Wyne, Jamil; Lenoble, Sarah. 2021. The Evolution and State of Singapore's Start-up Ecosystem: Lessons for Emerging Market Economies. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/35328> License: CC BY 3.0 IGO."

<sup>2</sup> PwC. "Singapore's tech-enabled start-up ecosystem", PwC Strategy., April, 2015. <https://www.pwc.com/sg/en/microsite/media/assets/startup-google.pdf>

<sup>3</sup><https://www.svca.org.sg/editor/source/Publication/Research%20Publications/SVCA%20Factsheet%202019.pdf>

<sup>4</sup> Preqin. "Markets in Focus: Private Equity and Venture Capital in Southeast Asia". Preqin, September 3, 2019. <https://www.preqin.com/insights/research/reports/preqin-markets-in-focus-private-equity-venture-capital-in-southeast-asia>

incubators and accelerators around the country. Through its finance and non-financial assistance, SSGA aims to increase the quality of programs available to start-ups.<sup>56</sup>

The amount of connection among the many players in Singapore's ecosystem is a significant element. Mentorships, collaborations, and other types of interconnectedness abound throughout the ecosystem. Major events like the biennial Singapore Week of Innovation and Technology (SWITCH), hosted by Enterprise Singapore in collaboration with the National Research Foundation (NRF) and Intellectual Property Intermediary, help to foster connectivity. When held in conjunction with the Singapore Fintech Festival in 2020, SWITCH brought together global start-ups, innovators, investors, and other stakeholders, attracting 60,000 people.<sup>7</sup>

The city-state, on the other hand, has grown in economic strength since its founding and is regarded as one of the world's earliest knowledge-based economies. Under the leadership and vision of Lee Kuan Yew, Singapore was creating the groundwork for a more competitive global economy long before unicorns, VC funds, accelerators, or even a rudimentary semblance of a start-up ecosystem existed<sup>8</sup>.

### **Government Leadership**

Singapore's government has spent decades developing policies aimed at improving the local business climate and fostering the development of its start-up ecosystem. To that aim, the government has shown tremendous leadership from the start, quickly filling up gaps and enacting beneficial measures. The government has played a critical role in both defining the country's business climate and implementing a wide range of policies and initiatives.

The government is known for its quickness and adaptability in responding to market developments. The rapidity with which the government may implement regulations and other steps to assist the local business climate was noted in interviews with local actors in the ecosystem. The Ministry of Trade and Industry's pro-enterprise panel, for example, is an inter-agency organization that brings together several government departments to simplify laws that impact businesses. The First Mover Framework and the New Idea Scheme were both established by the panel. The framework connects entrepreneurs with government resources, while the plan assists government agencies in putting new company ideas into action.<sup>9</sup>

The government has remained active, iterative, and responsive during the COVID-19 epidemic. During this period, the Special Situation Fund for Start-ups (SSFS) and an upgraded Start-up SG Founder program were launched, both of which are highly focused programs for tech start-ups. The SSFS was established on June 5, 2020, as a funding program to assist high-growth start-ups in continuing to operate throughout the pandemic. On August 17, 2020, Deputy Prime Minister Heng Swee Keat announced a S\$150 million financial commitment to help first-time entrepreneurs through the Start-up SG Founder program.<sup>10</sup>

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<sup>5</sup> All together now, What entrepreneurial ecosystems need to flourish". The Economist, January 18, 2014. <https://www.economist.com/special-report/2014/01/16/all-together-now>

<sup>6</sup> Anthony, Scott D. "How Singapore Became an Entrepreneurial Hub". Harvard Business Review, February 25, 2015. <https://hbr.org/2015/02/how-singapore-became-an-entrepreneurial-hub>

<sup>7</sup> Singh, Samridhi and Torok, Lili. "Tech Founders in Asia's Model City". Lessons from Mapping the Singapore Tech Ecosystem. Endeavor Insight, December 14, 2015. [https://issuu.com/endeavorglobal1/docs/singapore\\_tech\\_map](https://issuu.com/endeavorglobal1/docs/singapore_tech_map)

<sup>8</sup> . <https://stats.oecd.org/glossary/detail.asp?ID=6864>

<sup>9</sup> Ministry of Trade and Industry, Singapore. "Pro-Enterprise Panel", accessed March 12, 2021. <https://www.mti.gov.sg/PEP/First-Mover-Idea>

<sup>10</sup> Enterprise Singapore, June 5, 2020. <https://www.enterprisesg.gov.sg/media-centre/media-releases/2020/june/edbi-and->

Non-digital firms were also helped to digitize their operations. There was also assistance for self-employed people. In support of this endeavor, the government created the E-Commerce Booster Package, which pays 90% of the expenses of launching an e-commerce business on an existing platform<sup>11</sup>. Similarly, the government has set aside \$1.2 billion for the Self-Employed Person Income Relief Scheme, which gives self-employed persons (such as gig workers) with monthly income as well as training assistance<sup>12</sup>.

### **Role of Educational Institutions**

In its attempts to create strong links between researchers, students, start-ups, and industry, the Singapore government has regularly engaged many institutions, as well as A\*STAR. These academic institutions' innovation and start-up challenges, as well as other incubation programs, have inspired fresh cohorts of ambitious entrepreneurs to establish businesses. The above-mentioned Lean LaunchPad and Venture Building Program are great instances of how university networks have been systemically exploited. While many universities promote entrepreneurship as a viable career option and have established co-working and office spaces for start-ups, initiatives such as Nanyang Technology University (NTU)'s NTUitive and the Separation Technologies Applied Research and Translation (START) Centre have also further developed programs to support the commercialization of research, facilitating the launch of 40 to 50 new companies per year.<sup>13</sup>

National University of Singapore (NUS) has also taken the lead in ensuring that Singapore's ecosystem has worldwide connections and significance. University programs such as the Singapore University of Technology and Design (SUTD) Overseas Entrepreneurship Exposure through European Innovation Academy or the NUS Overseas Colleges (NOC) program immerse university students in established start-up ecosystems around the world in the hopes of cultivating an entrepreneurial mindset (NOC currently places about 400 undergrads around the world). Alumni of the NOC have gone on to create well-known Singapore-based start-ups such as Carousell, Shopback, PatSnap, and Zopim since its founding in 2001<sup>14</sup>.

The CREATE (Campus for Research Excellence and Technological Enterprise) has created 15 cooperative research programs involving Singapore's local universities and nine leading international institutions. CREATE labs have published over 5,500 papers in prestigious academic journals and collaborated with over 100 businesses as of 2019. The study has also resulted in the formation of 23 spin-off businesses<sup>15</sup>.

### **Global Linkages**

The government has also placed a strong emphasis on establishing global links in order to position the country as a major player in international trade, which has benefited the ecosystem and aided start-ups'

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seeds-capital-to-provide-s\$285-million-in-financing-to-promising-startups-to-tide-through-covid-19-period

<sup>11</sup>Lai, Leila. "Enterprise Singapore launches e-commerce help package for retail SMEs". Business Times, April 3, 2020.

<https://www.businesstimes.com.sg/sme/enterprise-singapore-launches-e-commerce-help-package-for-retail-smes>

<sup>12</sup> <https://www.straitstimes.com/politics/self-employed-persons-to-get-9000-in-payouts-under-supplementary-budget-to-help-singapore>

<sup>13</sup> "Eliasz, Toni; Wyne, Jamil; Lenoble, Sarah. 2021. The Evolution and State of Singapore's Start-up Ecosystem: Lessons for Emerging Market Economies. World Bank, Washington, DC. © World Bank.

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[https://www.academia.edu/40006218/Nurturing\\_Entrepreneurial\\_Talent\\_The\\_NUS\\_Overseas\\_Colleges\\_Program\\_Findings\\_from\\_the\\_inaugural\\_survey\\_of\\_NOC\\_alumni](https://www.academia.edu/40006218/Nurturing_Entrepreneurial_Talent_The_NUS_Overseas_Colleges_Program_Findings_from_the_inaugural_survey_of_NOC_alumni)

<sup>15</sup> "Eliasz, Toni; Wyne, Jamil; Lenoble, Sarah. 2021. The Evolution and State of Singapore's Start-up Ecosystem: Lessons for Emerging Market Economies. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/35328> License: CC BY 3.0 IGO."

desires to expand through cross-border innovation and commercialization prospects. Despite its small market and population, Singapore has become a regional headquarters for a slew of global IT titans, including Google, Facebook, Microsoft, LinkedIn, and Stripe. According to data from Singapore's Economic Development Board, 59 percent of technology multinational firms have regional headquarters in Singapore, bolstering the country's reputation as a regional commercial powerhouse<sup>16</sup>.

The Singapore government has established the Global Innovation Alliance (GIA) in 2017 to facilitate increased information sharing and foster the co-creation of innovation and ideas. This serves to improve Singapore's linkages to key innovation centers across the world, allowing us to connect Singapore-based entrepreneurs to other ecosystems in search of partners, new businesses, and other opportunities. So far, it has established programs in eight locations, including Bangkok, Beijing, Tokyo, Munich, Paris, and San Francisco<sup>17</sup>.

ESG (Enterprise Singapore) also actively supports the internationalization efforts of Singapore-based start-ups. Firms expanding to Indonesia and other selected countries might have large portions of their costs reimbursed by funding granted under ESG's Go Global topic. There are also bilateral and multilateral innovation collaborations with Israel, Germany, France, Shanghai, and the EUREKA Network (having a presence in over 45 countries)<sup>18</sup>.

### **Focus on Specific Industries**

The government is assisting specific industries, particularly deep-tech industries. In this sense, the government is taking the lead in initiating the specialization process, which may encourage the private sector to follow suit in the future. Fintech is another sector where Singapore's ecosystem is getting highly specialized, in addition to deep tech specialization. The Singapore Monetary Authority (MAS), for example, has established a legal framework for blockchain and cryptocurrencies. The MAS announced cooperation with Anquan Capital, Deloitte, and Nasdaq in 2018, together with the Singapore Exchange (SGX), to investigate safe and efficient trading across various blockchain platforms<sup>19</sup>.

In terms of venture capital activities, Singapore is a regional leader. Multinational businesses were once the primary source of risk funding for start-ups in Singapore. With MNCs performing this function, VC companies were no longer required; however, the VC community in the nation continued to develop in the 1990s.<sup>20</sup> In addition to actively launching VC funds, the government had an active role in this capacity by serving as a co-investor through public sector organizations like as Temasek Holdings and TIF Ventures.

### **Investment Culture**

Singapore is further catalyzing international investment and incentivizing fund managers to open operations in Singapore through innovative fund structuring regulations and tax incentives such as the Variable Capital Company (VCC) legal structure, as well as the recently announced \$5 billion private markets placement program. US funds like as 500 Start-ups and Sequoia Capital have grown their

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<sup>16</sup> Economic Development Board (EDB), Government of Singapore, 2020. <https://www.edb.gov.sg/en/our-industries/industries-and-key-activities/headquarters.html>.

<sup>17</sup> <https://www.entrepreneur.com/article/324589>

<sup>18</sup> 6 Eureka Network, <https://www.eurekanetwork.org/>

<sup>19</sup> <https://www.mas.gov.sg/news/media-releases/2018/mas-and-sgx-partner-anquan-deloitte-and-nasdaq-to-harness-blockchain-technology>

<sup>20</sup> 1 OECD Reviews of Innovation Policy, "Innovation in Southeast Asia", April 24, 2013. <https://www.oecd.org/sti/inno/innovation-in-southeast-asia-2012-9789264128712-en.htm>

presence in Singapore in recent years, while regional players such as Golden Gate Ventures, Jungle Ventures, and Rakuten Ventures have also boosted their in-country activities.<sup>21</sup>

Increased investment activity has also occurred because of recent acquisitions made during the last few years. Google, Zendesk, and Sephora, for example, have all purchased Singapore start-ups<sup>22</sup>. In addition to VC firms, Singapore is home to several significant angel investment networks and platforms, such as the Business Angel Network of Southeast Asia (Bansea), which has over 140 members and has been operating for over twenty years. Despite the epidemic, overall start-up financing reached S\$3.3 billion in 2020, little over half of the entire funding amount of S\$6.5 billion in 2019<sup>23</sup>.

## **Conclusion**

Singapore's start-up ecosystem is part of a wider, long-term endeavor by the government to make the country more globally competitive. The government oversaw the ecosystem's development and specified places where other companies might enter. In terms of education and direct assistance to the ecosystem, Singapore's academic sector takes the lead. Science and technology, as well as entrepreneurship, are supported by all of the government's ministries. Singapore's narrative has been one of globalization from the beginning, and its environment has followed suit. The ecosystem in the nation is pushed by a forward-thinking attitude in order to keep up with global tech and entrepreneurial trends. Singapore continuously analyses its strategy, modifies priorities as appropriate, and responds to changing circumstances with agility.

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<sup>21</sup> Singapore Venture Capital Association (SVCA), November 14, 2019. <https://www.mas.gov.sg/news/media-releases/2018/mas-to-place-up-to-us5-billion-with-private-equity-and-infrastructure-fund-managers>

<sup>22</sup> Machado, Kenan. "Covid-19 be damned, Asia's top VC says it's open for business". Techinasia, April 21, 2020. <https://www.techinasia.com/covid19-damned-asias-top-vc-theyre-open-business>

<sup>23</sup> PWC, "Tech start-ups funding trends and outlook: Singapore. Preparing for a bigger leap forward?" Paper, 2020, accessed March 12, 2021. <https://www.pwc.com/sg/en/financial-services/assets/tech-startup-funding-trends-and-outlook.pdf>