



Singapore seeds another S\$40m to power economic transformation

The sum is for VC funds investing in tech startups, so that such companies develop around large local enterprises

By **Jacquelyn Cheok** jaccheok@sph.com.sg [@JacCheokBT](https://twitter.com/JacCheokBT)



Value creation

SEP 22, 2015 5:50 AM

Singapore

A SUM of S\$40 million has been set aside by the Singapore government for the third Early-Stage Venture Fund (ESVF-III), the latest in a slew of government initiatives to boost the startup ecosystem as a catalyst for a broader economic transformation.

ESVF, started in 2008, is a fund administered by the National Research Foundation (NRF) to seed venture-capital (VC) funds investing in early-stage tech startups in Singapore.

Vivian Balakrishnan, Minister-in-charge of Smart Nation, the national push to turn Singapore into a global infocomm hub that leverages technology for economic and social development, said: "NRF will be launching ESVF-III to catalyse the establishment of corporate venture funds by large local enterprises (LLEs) ... and to catalyse the growth of high-tech innovative companies through government co-investments with private-sector LLEs."

Speaking at the opening of TechVenture 2015 on Monday, he said this will facilitate the development of tech ecosystems in which smaller companies grow around a core of LLEs, enabling the LLEs to access new technologies through their startups, and so remain competitive; the startups, on their part, will be able to leverage the organisational resources of their corporate partners to commercialise and go global.

Singapore has fostered a dynamic startup scene, Dr Balakrishnan said; its next phase of growth will be to strengthen the linkages across innovative enterprises and build a highly networked ecosystem. "Merely tweaking things will not do. A strategic realignment involving the entire nation is necessary, hence our Smart Nation initiative," he said at the event.

The described growth strategy aligns with the government's recent call for value to be created in Singapore - in particular by Singapore firms. This marks a departure from previous growth strategies that entailed courting multinationals and building Singapore into a centre for high

value-added activities in global supply chains.

Deputy Prime Minister Tharman Shanmugaratnam had said at the Economic Development Board Society's 25th anniversary gala dinner in July: "We have now embarked on a new phase in our nation's economic development ... We are moving from value-adding to value-creation ... making innovation pervasive in every industry and for firms big and small, so that we can come up with our own products and services."

Since January, at least five government agencies have announced initiatives to boost the startup ecosystem and value-creation.

On how the NRF's latest S\$40 million injection into ESVF can nurture the growth of value creation, an NRF spokeswoman said: "This is one of the initiatives to build a strong core of innovative enterprises.

"Singapore is a small, trade-dependent and globally-orientated country.

The source of our companies' competitive advantage should be their ability to innovate systematically and effectively, in collaboration with public and private partners, to generate better products and services and higher added value per employee than other businesses."

Amit Anand, founding partner of Singapore-based VC firm Jungle Ventures, said the investment into ESVF-III is timely as there is "definitely a seed-stage gold rush in Asia".

He told The Business Times: "Startup investing is fashionable. But not many of these startups are getting follow-on funding, which is important for them to reach either self-sustenance or get larger investors interested. Government programmes such as ESVF have helped fill this void.

"More importantly, the government works with experienced investors to deliver this programme, which helps, as startups need both capital and operational insights to accelerate their development."

But Christopher Quek, lead investor of VC firm Tri5 Ventures believes S\$40 million to be insufficient: "While it is important for the government to continue investing in funding startups, they should redirect their efforts to seed and pre-Series A levels, as I see a bigger increase in companies seeking seed-level funding of between S\$500,000 and S\$1 million."

He added, however, that Singapore still had some way to go from value-creation: "This will happen only when Grade A entrepreneurs and engineers like those in Silicon Valley appear. Funding is part of the solution, but encouraging Singaporeans to take risks and setting up a conducive environment for engineers are also important. This is something that the government cannot do alone; it needs the grassroots community to be involved to educate and change mindsets."

Asked if there are signs of a startup bubble here, he said no, and that the startups he has seen here are of decent quality, while Mr Anand said there was a semblance of over capitalisation in others, driven mainly by investor interest.

At Monday's TechVenture event, Dr Balakrishnan unveiled the LUX Photonics Consortium, a platform to facilitate stronger collaborations between institutes of higher learning and the photonics industry to develop, among others, the next-generation ultra-fast Internet and the SG-UK Joint Test-bedding Initiative, which will enable SMEs from Singapore and the UK to collaborate on new technologies for sustainable urban development.

TechVenture, an annual Asian tech startup and investor event now in its 19th edition, is being held at Marina Bay Sands and ends on Tuesday.

SUBSCRIBE NOW

 **6388 3838**

DOWNLOAD THE
BT APPS



FOLLOW
US



FACEBOOK



TWITTER



LINKEDIN



BT BREAKFAST BRIEF

SPH DIGITAL NEWS

© 2015 SINGAPORE PRESS HOLDINGS LTD. REGN NO. 198402668E