

INDUSTRY OVERVIEW

BACKGROUND

The Singapore government's directives for continuing and extending its competitive advantage greatly benefits the local venture capital industry. The national strategic development plan includes thrusts into high technology and financial services so that Singapore can be a regional center in both fields. The venture capital industry receives strong encouragement and support from Singapore's government because this type of investment activity is seen as a means for achieving the country's economic growth goals. The Economic Development Board's (EDB) objectives for the venture capital industry are:

- to promote the Singapore venture capital investment,
- encourage Singapore companies to diversify into technology-related areas,
- and to promote innovation and entrepreneurship.

The government has provided a host of tax breaks and subsidies for businesses in line with its strategic thrusts, as well as providing its own expertise through its ministries and agencies.

The history of venture capital in Singapore is short. Venture capital funds are both privately and publicly held. South East Asia Venture Investment Company (SEAVI) was the first venture capital firm, established in 1983, with a start-up capital investment of S\$70 million (C\$44.6 million). Transtech was launched in 1986 with S\$55 million (C\$35 million). In 1985 the government initiated its own fund of S\$100 million (C\$63.7 million) through the EDB.

1987 was a watershed year for the venture capital industry, when the government established Sesdaq, a second-tier stock market catering to the needs of small companies. This provided an easy disinvestment route for portfolio firms wishing to make their holdings public.

CURRENT SITUATION

Today there are nine professionally managed venture capital funds focused on Singapore with an estimated combined total capital of S\$300 million. There is also local venture capital investment focused on the Asean region as a whole worth an estimated S\$350 million. Corporate in-house venture funds and specialized mezzanine funds account for S\$400 million. Thus the total value of venture investment in Singapore is roughly S\$1050 million (C\$668.8 million). The investment pace of venture funds was estimated to be S\$75 million for 1989.

The typical recipients of venture investment are small and medium sized enterprises (SMEs). These type firms form a large component to Singapore's economy, measuring up to 90% of the total number of business establishments, providing 44% of total employment, 24% of value-added and 16% of direct exports.