

HeadStart Taiwan Project

(Approved Version)

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National Development Council

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Notice: Where any discrepancy arises between the English translation and the original Chinese version in this document, the Chinese version shall prevail.

I. Origin

With the gradual changes in global industrial development that have taken place in recent years, the development of Taiwan's manufacturing efficiency and cost-oriented business model have hit a bottleneck, resulting not only in outflows of capital and high-level talent, but also causing the momentum of economic growth to stall. The government has therefore worked to transform the economic and industrial structure by actively promoting programs such as the Three Industries, Four Reforms program to optimize the industrial structure; the Plan to Catapult Hidden Champions to strengthen internationally competitive firms with crucial technologies; the Program to Reinvigorate Traditional Businesses to promote the upgrading of traditional industries; and the Free Economic Pilot Zones to innovate on regulatory systems. In addition, in order to drive the next wave of economic growth, the government plans to improve the domestic environment for innovation and entrepreneurship in order to create an advantageous new position for Taiwan.

In light of this, the National Development Council (NDC) has formulated the HeadStart Taiwan Project, which is intended to harness the power of the private sector and other countries and take good advantage of Taiwan's strengths and niches to create a positive, complete, and effectively operated ecosystem for entrepreneurship. It is hoped that this will not only foster innovative, high added-value startups so that they may rapidly flourish and move into the global marketplace, but also shape Taiwan's international image as a place of outstanding innovation and entrepreneurship, bringing startups from abroad to Taiwan to generate further synergy.

After the program was discussed and passed at the first committee meeting of the NDC on March 24, 2014, it was approved by the Executive Yuan on August 19 and won full support from the Office of the President. The Project is now being actively promoted by related agencies.

II. Current Circumstances and Challenges

With the rise of internet technology, soft power has become a key to competing in future markets, and industrial development now faces completely different challenges from those of the past. Not only have markets gone from regionalized to internationalized, the key to growth has moved from being technology-intensive to being creativity-intensive, and the growth evaluation model has moved from sales to valuation. Specifically, the increasing prevalence of network technology has greatly reduced the operating and marketing costs of startups, giving more young people with potential the opportunity and ability to compete in global markets. Google, Facebook, and Twitter were all founded by young people and changed the everyday habits of many people in just a short time, leading a global wave of innovation and entrepreneurship. As a result, recent years have seen many countries actively promoting development of innovation and entrepreneurship. In addition to the United Kingdom, Sweden, Israel, the United States, Canada, Chile and a number of other countries in Europe, the Americas, and the Middle East, neighboring Singapore, South Korea, Japan, mainland China, and Hong Kong have also aggressively worked to provide various preferential measures for startups in terms of capital, talent, taxes, and other areas.

According to the Global Competitiveness Report 2013-2014 released by the World Economic Forum¹, Taiwan and the United States, Japan, South Korea, and other countries are listed as " Innovation-driven" economies; Taiwan, for its part, has an abundance of innovative talent, and performs well in major international invention expositions. However, Taiwan's economic development has for some time somewhat overemphasized the high-tech hardware industry, and a relative lack of keenly innovative thinking has left Taiwanese industries unable to effectively seize upon industry development trends in the era of the new economy. Therefore, the issues of how to turn the Taiwan's abundance of creative energy into entrepreneurial momentum and encourage entrepreneurial young people to bravely challenge themselves to innovate will be the key to the government's promotion of the development of a startup ecosystem.

In light of this, since September 2013, the NDC has paid frequent visits to startup enterprises, domestic and international venture capitalist, business incubators and accelerators, technology-oriented media outlets, and attorneys, accountants, and other professionals, gathering extensive opinions of business operators through interviews in order to clarify the most pressing problems impeding the development of startups. The views provided have served as reference in the formulation of policy. In general, most operators indicated that an ecosystem for entrepreneurship has yet to be effectively created in Taiwan, and express the hope that the government provides greater assistance in various areas. The major problems faced by Taiwan's entrepreneurship ecosystem are summarized as follows (see Figure 1):

¹ World Economic Forum, The Global Competitiveness Report 2013-2014.

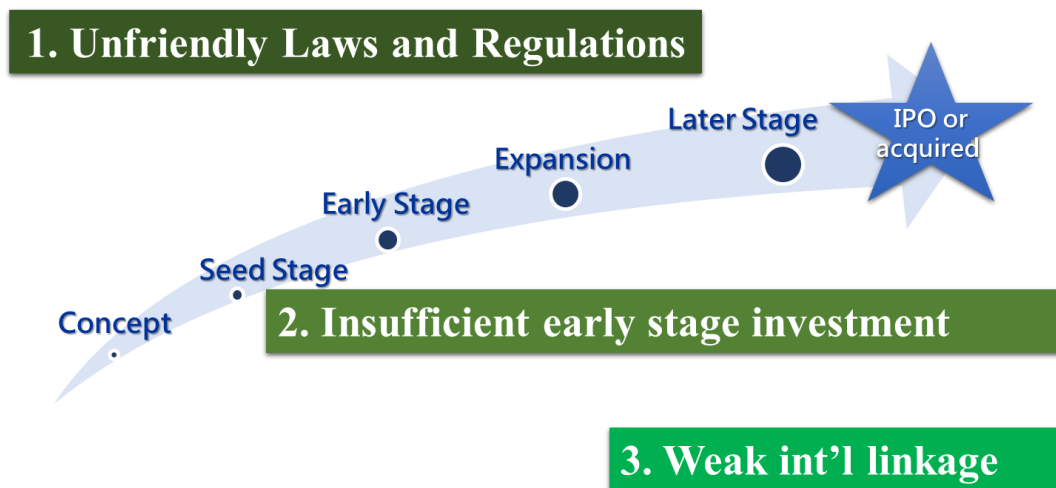


Figure 1. Three major barriers hindering startup growth

1. Unfriendly Laws and Regulations

With the rise of the new economy, changes in industries take place more rapidly; not only does the importance of professional talent and knowledge increase by the day, the use of capital must also be more efficient. However, relative to the convenient and flexible mechanisms established by laws and regulations governing starting businesses in other countries, relevant domestic regulations still impose numerous limitations on the development of startups. Such regulations not only reduce their latitude to utilize manpower, technology, and capital, but also significantly reduce their international competitiveness. Although Taiwan possesses a good industrial base and an abundance of quality talent, if regulations cannot keep pace with the times and be brought into line with international standards, it will be difficult for startups to compete in the global marketplace.

2. Insufficient early-stage investment

Taiwan's venture capital industry was flourishing before the collapse of the dot-com bubble in 2001, yet despite the rise of emerging industries in recent years, domestic venture capital firms have had little desire to invest in such industries; the attention that Taiwanese startups have garnered from international venture capital firms has also been quite limited. This has resulted in a funding gap for these companies that often leave them unable to obtain the crucial capital needed for growth in early stages.

3. Weak international linkage

In the past, Taiwan's technology enterprises were able to expand into global export markets on the strength of their outstanding manufacturing efficiency. However, faced with new types of industrial development models, Taiwan's international connections are fairly limited. This leaves Taiwan unable to bring in talent, capital, and technology from overseas, and also results in a lack of opportunities for domestic to cultivate a global perspective and strategy. If startups focus only on the domestic market while being unable to benefit from international exchanges of quality talent, technology, and knowledge, they will find it difficult to expand the scale of their business and inevitably be unable to seize upon crucial development opportunities amidst intense global competition.

III. Vision, Strategies and Solutions

In order to strengthen the development of a startup ecosystem in Taiwan, the Youth Entrepreneurship Program, actively contributed to by all relevant agencies and compiled by the Ministry of Economic Affairs, was submitted to the Executive Yuan for ratification on March 19, 2014. The content of the project is substantive and extensive, and will help to shape a quality environment for startups and assist young entrepreneurs. In order to expedite Taiwanese startups' expansion into international markets, the NDC has, on the existing foundation provided by other agencies, formulated the HeadStart Taiwan project, intended to shape Taiwan into a "regional center of innovation and entrepreneurship." It therefore emphasizes international links in terms of talent, technology, capital, knowledge, and markets in order to produce a mutually-reinforcing multiplier effect. At the same time, it is hoped that this program will integrate private-sector resources and be effectively implemented through market mechanisms, bringing startups from abroad to Taiwan and sending domestic startups out into the world.

In order to accelerate the advancement of innovation and entrepreneurship, the NDC plans to establish a HeadStart Taiwan Advisory Committee, inviting private enterprise leaders and approximately 10 representatives involved in innovation and entrepreneurship domestically and overseas to serve on the committee and provide relevant suggestions. The government will also draw upon the relevant entrepreneurial experience of private-sector committee members to provide the assistance needed by startups in terms of professional consultation, networking, and international connections.

In addition, the NDC will work with competent agencies to solve the main problems faced by Taiwan's entrepreneurship environment previously outlined, and has set forth the three major strategies of HeadStart Taiwan Project (see as Figure 2), as explained below:

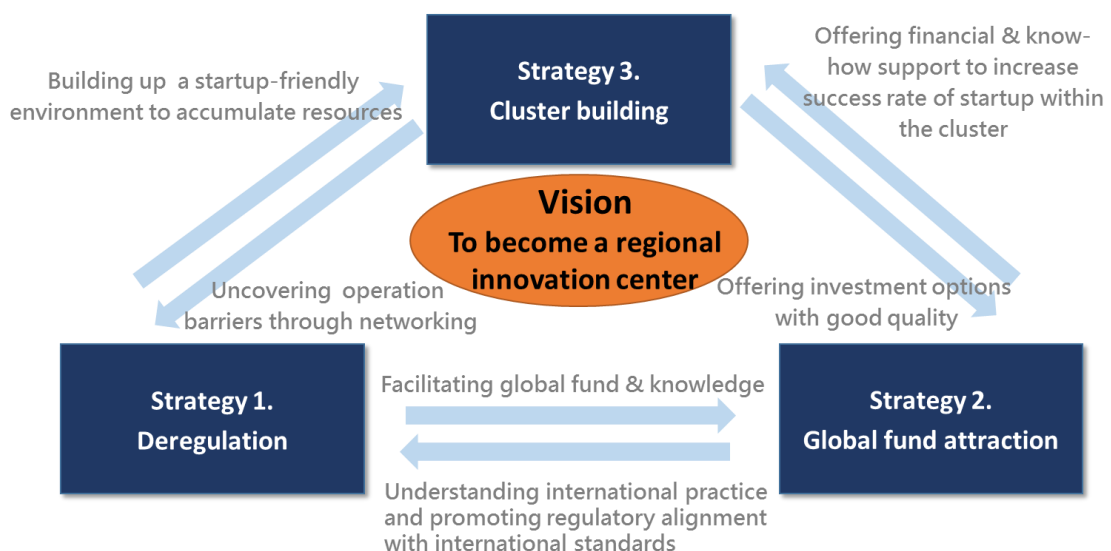


Figure 2. The three major strategies of HeadStart Taiwan Project

A. Strategy 1: Deregulation

(a) Core concept

A flourishing spirit of innovation is to be the core value of Taiwan's development. To help ensure that this spirit of innovation remain steady, the government will actively promote an economic policy of helping innovative startups to establish themselves and flourish. However, faced with the aggressive development of innovation and entrepreneurship by Singapore, South Korea, and other countries, the relevant system of regulations in Taiwan still imposes a number of limitations on the development of startup enterprises. In addition to making it difficult or too costly for startups to comply with regulations, this also results in difficulties raising capital, shortages of quality talent or technology, and other problems. This, in combination with relatively weak alignment with international regulatory standards affects Taiwanese startups' ability to compete with foreign companies, making it necessary to create a startup-friendly regulatory environment; the government must also, while respecting the workings of market mechanisms, guide the development of domestic startups in order to further enhance the competitiveness of domestic industrial innovation.

(b) Methods of execution

1. Directions of advancement

In order to create a startup-friendly regulatory environment, the NDC will proactively gather information on domestic regulatory barriers to innovation and entrepreneurship through the Deregulation Branch and work to eliminate them. It will also broadly refer to legislation related to innovation and entrepreneurship enacted in other countries and how it is put into practice, and provide recommendations for amendments to parts of Taiwan's related system of regulations that remain inadequate.

2. Operating mechanisms

In order to gain a broad command of the issues involved in regulations related to innovative startups, as well as strengthen competitive advantages in international markets, the following operating mechanisms will be adopted:

(1) Interview members of the business sector, industrial and commercial organizations, startup operators, venture capitalists, and academic experts to examine the barriers faced by business startups.

(2) Gather information on relevant legislation enacted in other countries and how it is put into practice, and areas where domestic regulations involving innovation and entrepreneurship are not in line with international practices.

(3) Coordinate adjustments to laws and regulations by relevant agencies based on recommendations for amendments to regulations related to innovation and entrepreneurship through the NDC Deregulation Branch.

3. Concrete methods

(1) Research and propose Qualification Requirements for Innovation-driven Startups for the reference of related agencies when carrying out deregulation.

In light of the wide range of deregulation, in order to reduce the impact in early stages of implementation, plans have been made to initially loosen regulations on business startups which are innovative and have potential for international expansion. The NDC has therefore formulated the "Qualification Requirements for Innovation-driven Startups," which are as follows:

Companies registered under Taiwan's Company Act or Business Registration Act for less than five years, and meeting one of the following conditions:

- i. Having already received at least NT\$2 million in investment from domestic or foreign venture capital firms.
- ii. Having already registered on the Go Incubation Board for Startup and Acceleration Firms, GreTai Securitates Market, Financial Supervisory Commission (GISA).
- iii. Having applied to obtain an invention patent in Taiwan, or having had a patent assigned or licensed for implementation by the holder of a Taiwanese invention patent and registered with the Intellectual Property Office, Ministry of Economic Affairs.
- iv. Incubators already based in the international startup cluster in Taipei approved by the Executive Yuan or directly operated by or cooperating with the Ministry of Economic Affairs and which have been rated as Quality Incubators by the Ministry in the last three years (see Appendix 1).
- v. The applying enterprise or its head has participated in received awards in major domestic or overseas entrepreneurship and design competitions.

After this program is approved by the Executive Yuan, the above recognition principles will serve as references for the competent authorities in startup-related deregulation. For example, the Ministry of Labor will loosen the employer capital requirements (turnover requirements) and requirement on two years of work experience for hiring foreign professionals by startups based on these principles; the Ministry of the Interior will also make startups with innovation capability eligible for "policy support degree" in regulations relating to quotas for R&D Substitute Civilian Service. The NDC will follow up by continually reviewing the applicability of these recognition principles along with startup-related laws and regulations in order to provide such businesses with greater convenience and flexibility in their operations.

At the same time, rolling reviews of these principles will be conducted as needed, with the NDC conducting a review within one year after the ratification of the HeadStart Taiwan Project, and responsibility for the administration of subsequent reviews will be transferred to the Ministry of Economic Affairs thereafter.

(2) Establishing a favorable regulatory environment for the raising of capital by startups

In order to diversify the capital-raising channels for startups, the NDC has referred to suggestions from startup operators, research by domestic academics, and legislation enacted in other countries in an active effort to research and analyze the barriers imposed by Taiwan's current regulations governing businesses for the purpose of creating a friendly regulatory environment for the operation of startups. The implementation directions are as follows:

i. Relaxing restrictions on the issues of preferred stock conversion into multiple common stocks or multiple voting stocks.

Convertible preferred stock is a framework frequently used by overseas venture capital firms when investing in startups. By setting various special conditions of investment with startups, such as various flexible clauses like one stock exchanged for multiple stock, conversion of preferred stock to common stock or agreeing that holders of preferred stock have veto rights with respect to important matters, motivation for cooperation is provided, helping to attract venture capital firms to actively take part in investing in startups.

The NDC will refer to relevant research by domestic academics and legislation enacted in other countries in order to loosen restrictions on the conversion of preferred stock to multiple common stock or multiple voting stock on the principle of taking into account both shareholder equality and respect for enterprise autonomy.

ii. Deregulating non-publicly held companies' issuance of convertible corporate bonds and corporate bonds with warrants attached

Taiwan's public companies may issue common bonds, convertible bonds, and corporate bonds with equity warrants, while privately held companies may only issue common corporate bonds. In order to help company operators maintain stable management rights in the beginning phase of business establishment, and venture capital firms to receive future capital gains, the issuance of convertible corporate bonds and corporate bonds with equity warrants has become another important tool for startups to raise capital.

Based on Taiwan's Securities and Exchange Act and legislation enacted in other countries, when relaxing restrictions on privately held companies' issuance of corporate bonds, supervisory regulations with respect to subscriber qualifications, and transfer restrictions will be strengthened in order to build a complete private placements of debt system for private held companies.

iii. Researching and discussing other issues related to regulations involving the raising of capital by startups

B. Strategy 2: Global fund attraction

(a) Core concept

Since the introduction of a venture capital system based on the American model in 1982, there have been nearly 14,000 projects invested in by Taiwan's venture capital industry, with cumulative total investment of over NT\$260 billion fostering 400 enterprises that became listed on the stock market or OTC exchange; the total capital formation put into motion by venture capital has reached NT\$2.3 trillion. In addition, unlike typical providers of capital, venture capital firms, in addition to their function of directing injections of funding to startups, also play roles in providing startup consulting service and connections and increasing the value of the enterprise. It can be seen from these two points that the venture capital industry plays an important role in the development of Taiwan's enterprises.

However, due to the changing shape of industry, domestic venture capital firms largely invested mainly in electronics related industries in the past, but they were relatively lacking in investment experience in the internet and other emerging industries, and the talent, markets, and funds of venture capital firms are largely domestic, with relatively low levels of internationalization; in recent years, this has led to domestic venture capital largely being invested during the later stage, when risk is relatively low and profits relatively predictable, while venture capital investment in the early stage² accounts for only 10.63% of the total (see Figure 3). The total amount of venture capital invested and the number of investment projects have also both trended downward (as shown in Figure 4). Although the government has already provided diverse and wide-reaching funding assistance measures, Taiwanese enterprises are still faced with an immense shortfall in Series A financing. This strategy is therefore intended to bring in the knowledge and capabilities of international venture capitalists, and facilitate substantive cooperation between international venture capitalists and those from Taiwan in bringing capital and knowledge to early stage startups; and to take advantage of new circumstances to create a win-win-win situation for startups and local and international venture capitalists, thereby bringing new and sustainable momentum to Taiwan's economy.

² The early stage, as defined by the Taiwan Venture Capital Association (TVCA), includes the seed stage and startup stage.

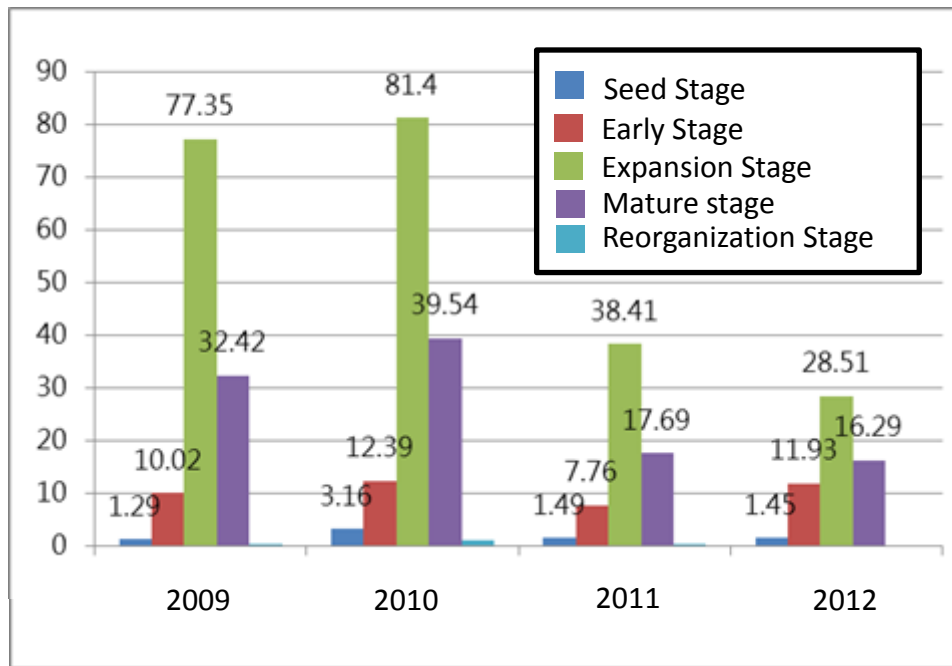


Figure 3. Investment trends of Taiwan's venture capital industry, 2009-2012

Source: Statistical information from the Taiwan Venture Capital Association (TVCA), collated for this Project.

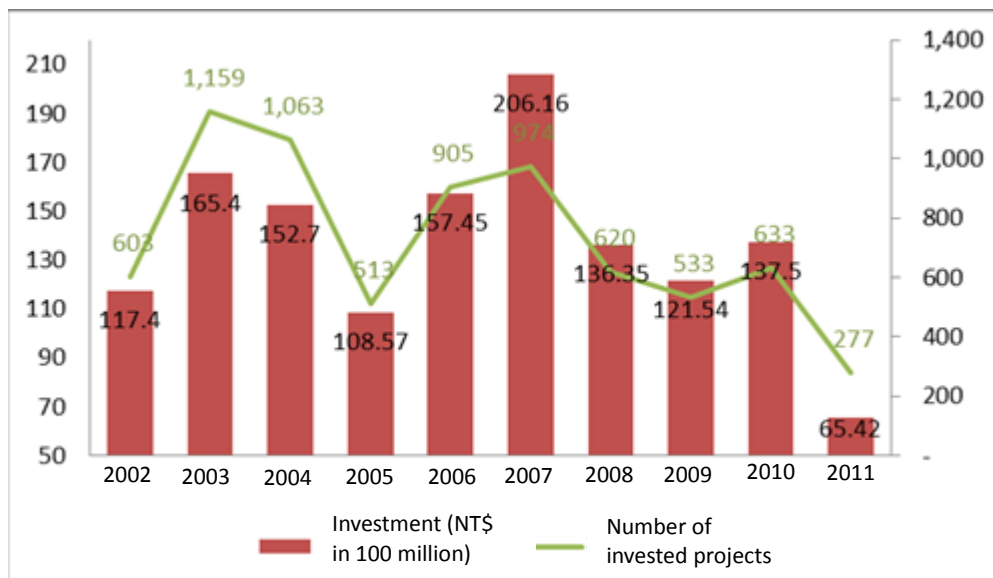


Figure 4. Amounts of venture capital investment and number of projects in Taiwan, 2002-2011

Source: Taiwan Venture Capital Association (2013), "Taiwan Annual Venture Capital Report 2012".

(b) Methods of execution

According to the goal as previously mentioned. This strategy is planned to be achieved by facilitating cooperation among venture capital firms, adopting innovation incentive mechanisms etc. to attract capital for early stage startups via National Development Fund (NDF). The primary measures are as outlined below:

1. Strengthening cooperation between domestic and international venture capital firms

Based on the fact that Singapore and other countries' recent aggressive promotion of investment in early-stage local startups, this strategy is therefore intended to attract international venture capital firms to operate in Taiwan and jointly invest with domestic venture capital firms in early-stage domestic ventures with capacity for innovation under considerations of regional competition and stimulating investment in Taiwanese startups. Thus, the startups can achieve strong growth and expand into international markets via various possible ways as follows:

(1) Facilitating cooperation between both domestic and overseas investment consulting firms

This strategy will help domestic and international investment consulting firms to form new management teams in order to combine their respective intellectual property, capacity for commercialization, and technical development abilities to jointly take part in investment in early-stage Taiwanese enterprises, and assist startups with the commercialization of creativity and technology from a global perspective. It is hoped that this integration will achieve the goals of complementarity of resources, joint management, and increasing investment synergy.

(2) Facilitating cooperation between investment consulting firms and domestic investment teams

Assistance from foreign venture capital teams with international investment networking capability and establishment of an operation base and a localized investment team can help domestic startups that have development potential to receive injections of foreign capital, and also strengthen their ability to connect with international resources via inter-regional investment platforms and extensive personal connections.

2. Incentive mechanisms

Due to the fact that the main product or service model of early stage startups is still under development and the operating model is still yet to be established, and that the business operators often lack related management experience, investment risk is relatively high and return period is relatively long. Based on profit considerations, domestic venture capitalists invest a relatively low percentage of total investment in these early stage enterprises. Also, due to the general lack of international strategic thinking among Taiwanese enterprises and their lack of international competitiveness,

international venture capital firms pay little attention to startups in Taiwan, making it difficult for early stage enterprises in Taiwan to gain injections of capital from overseas.

Consequently, this strategy takes into account similar thinking in Singapore and Finland with respect to the promotion of early-stage enterprises, designing a new incentive mechanism; with respect to venture capital funds that invest a certain proportion in early stage Taiwanese enterprises, the NDF will share a certain proportion of profits with the business management and other investors. Figure 5 is the profit allocation diagram of the incentive mechanism formulated for this strategy.

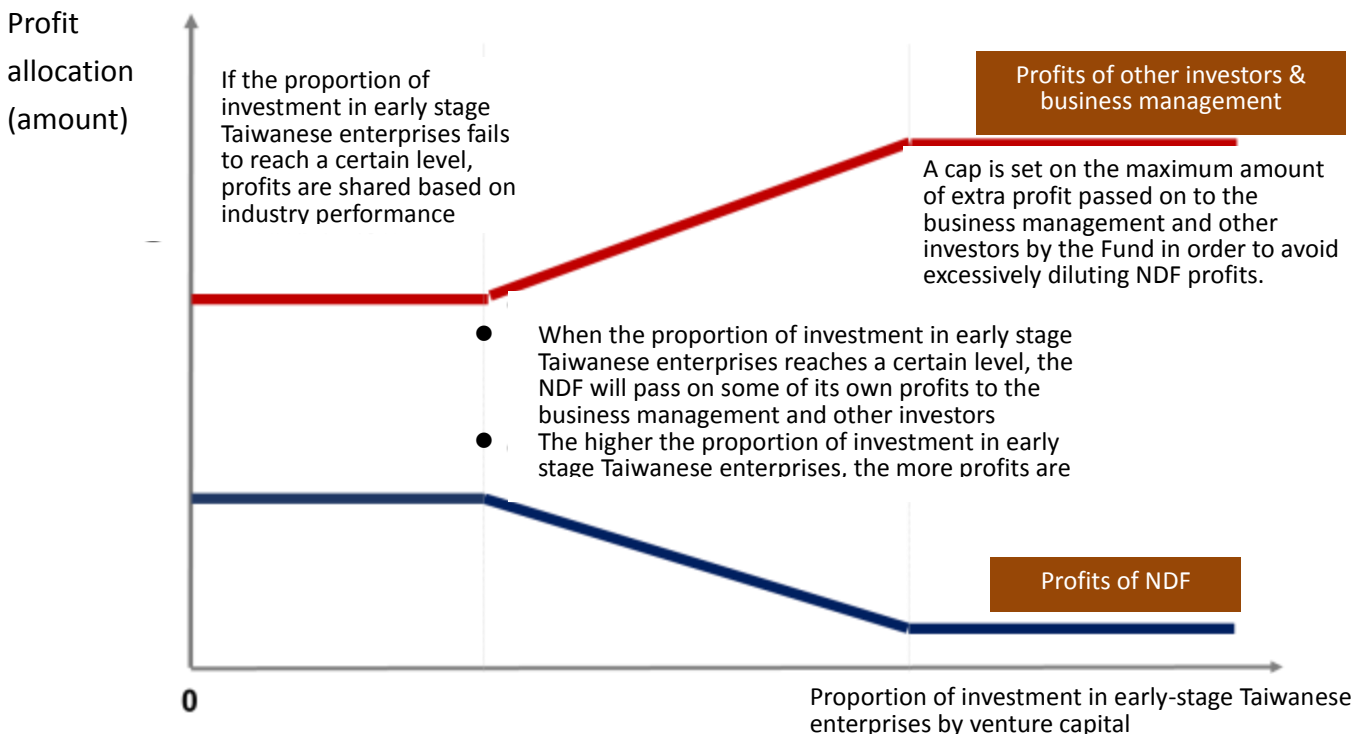


Figure 5 . Incentive mechanism profit sharing diagram

Also, taking into account the scale and international competitiveness of venture capital funds and other factors, the NDF will adjust the investment proportions to make it easier for business management to raise capital from overseas investors and to encourage the teams to actively pay attention to domestic industrial activities, with the aim of bringing more capital investment into early stage enterprises in Taiwan.

C. Strategy 3: Build an international startup cluster in Taipei

(a) Core concept

America's Silicon Valley is a model global hub of innovation and entrepreneurship, where resources required by startups are gathered in abundance, including an endless stream of creative talent, venture capital, "angel" investors, lawyers, and accountants. Silicon Valley not only provides a one-stop service to startups by bringing together these services in a single place, it also facilitates diverse forms of interaction and exchange, which trigger even more creative cooperation. Furthermore, in recent years, BLK71 in Singapore and Tech City in London have become successful models of startup clusters, and have exerted a crucial influence on the development of startups.

In light of the necessity of critical mass for innovation and entrepreneurship, the National Development Council plans to build an international startup cluster in Taipei, a miniature ecosystem for startups. The international startup cluster will bring together innovative startups from Taiwan and overseas, as well as incubators, accelerators, venture capital companies, international finance, accounting and law firms, and training courses providers. It will also bring in domestic and international mentors and consultants to provide startups with vital informational services, affording them more convenient access to important resources, and enabling them to overcome the challenges associated with expanding into the global market.

In order to bring the creativity, vitality, and efficiency of the private sector to the cluster, and harness the spirit of collaboration between the public and private sectors, the international startup cluster will be managed by a private professional team. Additionally, the cluster will create a virtual network, allowing startups in Taiwan to build collaborative relationships with counterparts, investors, incubators and accelerators in far-flung locations like the Silicon Valley, London, and Singapore. This will allow Taiwanese startups to strengthen their international connections and expand into the global market.

(b) Methods of execution

1. Selecting the Taipei Expo Park as location

Given the current international trend towards promoting innovation and entrepreneurship, and the global competition for talent and funding, building an international startup cluster in Taipei is urgently required. The first priority is to identify a site that is available for immediate use. The cluster must also possess superior conditions in terms of location and transportation, so as to facilitate easy access to domestic and international resources, and attract domestic and international startups which are expected to create high value-added to base themselves there.

After thorough consideration, the NDC has selected the Taipei Expo Park as the site of the international startup cluster (for its location and appearance, please see figures 6 and 7). The reasons for this decision are as follows:

(1) Available for immediate use and future expansion possible

Since time is limited, this program plans to renovate the government's preexisting building to accelerate its development. The space of the Taipei Expo Park is immediately available for the location for the international startup cluster. Currently renovation of approx. 3,800 square meters of space has been completed. Taipei City Government has promised to provide additionally at least approx. 16,460 square meters of space for use after building and renovation. The total of approx. 20,260 square meters of space will be brought into play.

(2) Excellent facilities and convenient transportation

The Taipei Expo Park features many green spaces and expansive plazas. Nearby, Yuanshan Market and Maji Square to the east offer abundant exotic gourmet foods, themed restaurants, and cultural markets – all highly attractive to young, creative innovators. The neighboring Taipei Fine Arts Museum, Taipei Story House, and Taiwan Excellence bring a rich artistic and cultural atmosphere, while Yuanshan MRT Station, Taipei Main Station and Songshan Airport all provide convenient domestic and international transportation links.

(3) Existing startup cluster foundation

The foundation for a diverse cluster of startups has already been laid near the Taipei Expo Park. Furthermore, the EXPO Dome, as a multifunctional exhibition site, provides an ideal location for large-scale international startup events. Such events will help to create an image for Taiwan as a place where innovation and entrepreneurship thrive.

The Taipei Expo Park Hall was originally a sports venue. After considering its subsequent use, Taipei City Government has submitted an application to the Ministry of the Interior to convert the land use to exhibition use. The first stage of the review process has been completed. The conversion is estimated to be completed by the end of July 2014, after which work will begin immediately.



Figure 6. The location of the international startup cluster in Taipei



Figure 7. The international startup cluster in Taipei (Taipei Expo Park Hall), west side

2. Adopt a two-phase building plan for the international startup cluster

With a total area of approx. 20,260 square meters, renovating the Taipei Expo Park Hall will take a relatively long time. For that reason, a two-phase construction plan will be adopted (for full details see table 1). In the first phase, renovations will be performed on (approx. 9,580 square meters of space on the west side of the building, from the basement to the fifth floor. Approx. 2,300 square meters of the first floor will encompass a main hall, a multifunctional hall, a VIP room, and meeting rooms. On the second floor, 450 *ping* (approx. 1,490 square meters) of office space will be provided, bringing the total space for the first and second floors to around 3,800 square meters. Based on current assessments of the condition of the building, these two floors will be ready for immediate use after installing basic furnishings; the total of approx. 3,800 square meters of space on the third, fourth, and fifth floors of the hall () will require more extensive renovations before it can be put into use. The basement floor also provides an additional approx. 1980 square meters of space.

The second phase of construction includes the second and third floors of the north and east sides of the Taipei Expo Park Hall—approx. 10,680 square meters of space into which the international startup cluster can expand. The first phase is scheduled to begin before the end of 2014, and depending on the results, the second phase is expected to begin in 2016.

Table 1. Spatial data on the Taipei Expo Park Hall

Floor	Phase 1	Phase 2
Basement	West side, approx. 1,980 square meters (stage 2)	-
First floor	West side, approx. 2,310 square meters (stage 1)	-
Second floor	West side, approx. 1,490 square meters (stage 1)	North and east sides, approx. 6,315 square meters
Third floor	West side, approx. 2,314 square meters (stage 2)	North and east sides, approx. 4,365 square meters
Fourth floor	West side, 331 square meters (stage 2)	-
Fifth floor	West side, approx. 1,156 square meters (stage 2)	-
Total space	approx. 9,580 square meters	approx. 10,680 square meters

Note: Except for the west side, which consists of five floors and one basement floor, the north, east, and south sides of the Taipei Expo Park Hall all consist of three floors. The first floor on these sides, as well as the second and third floors on the south side, are all operated by Taipei City Government, and are not included in this program.

Source: Taipei Expo Foundation; sorted by the National Development Council.

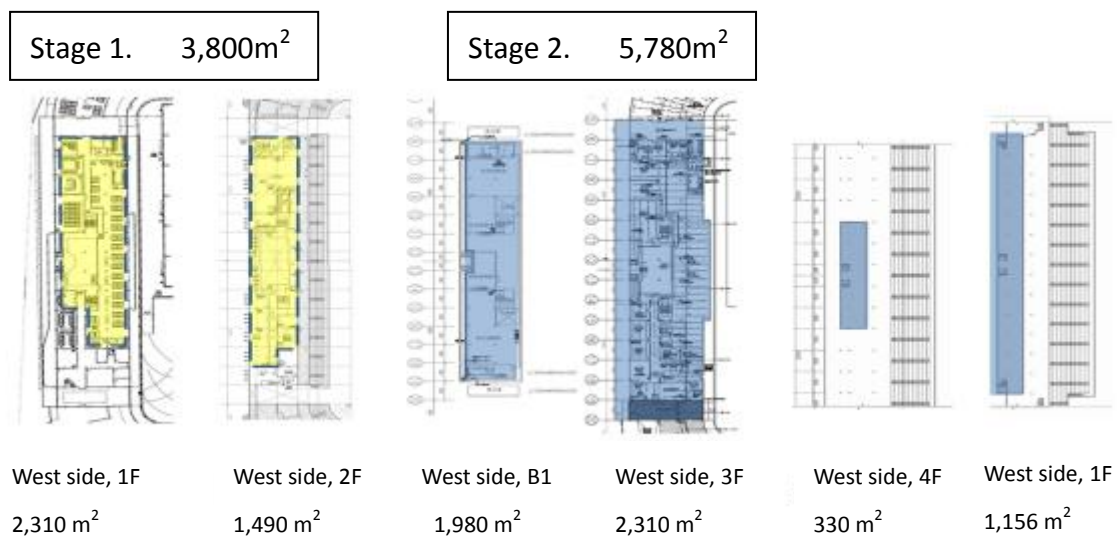


Figure 8: Phase 1 floor plan of the international startup cluster in Taipei

Source: Taipei Expo Foundation, area measurements based on actual survey.

3. The international startup cluster will be managed by a private management team

In order to bring the creativity, vitality, and efficiency of the private sector to the cluster, and harness the spirit of collaboration between the public and private sectors, the international startup cluster will be managed by a private management team, which will be selected following a public invitation to tender. However, given the challenges inherent in managing the cluster in its early stages of development, the government will be responsible for the renovation and building work, as well as the operational costs from 2015 to 2017.

In order to enhance the effectiveness of the international startup cluster, the National Development Council will provide assistance by coordinating resources from various relevant government departments. For example, it will assist in introducing domestic and international accelerators and venture capital, and provide professional services such as training courses in entrepreneurship and international finance, accounting and legal, and on-site access to professional mentors and consultants. Incubation center, accelerator, and innovation competitions will draw outstanding teams and companies to the cluster. In addition, the NDC will assist in solving problems related to fundraising, visas, and entrepreneurship, so as to strengthen innovation and entrepreneurship in Taiwan.

4. Depending on results, replicate the cluster in other suitable locations

Depending on the success of the international startup cluster in bringing together innovative startups, creating international connections, and obtaining capital, in the future, the National Development Council will consider replicating this cluster in other domestic locations, in order to optimize Taiwan's innovation environment and aid in the development of startups.

IV. Responsible Agencies

Strategy	Actions	Main points	Managing (Assisting) office	Timetable	
Strategy 1 Deregulation	1.1. Actively identify regulatory obstacles to innovation and entrepreneurship.	1.1.1 Extensively consult foreign instances of legislation and practical application method relating to innovation and entrepreneurship. Amend relevant laws and regulations, to improve the legal environment for innovation and entrepreneurship.	Various relevant agencies.	Ongoing.	
	1.2 On a rolling basis, scrutinize the Qualification Requirements for Innovation-driven Startups.	In light of the progress of implementation, perform timely evaluations of the qualification requirements, and amend them to facilitate deregulation.	NDC & Ministry of Economic Affairs	NDC will perform evaluation within one year of ratification. The Ministry of Economic Affairs will lead the action thereafter.	
	1.3 Relax restrictions on introducing foreign professionals.	1.3.1 Relax restrictions relating to the capitalization (turnover) required for an employer to hire foreign professionals for innovative startups. 1.3.2 Relax restrictions that require foreign professionals to have two years of work experience in order to be hired by an innovative startup.	Ministry of Labor	Within one month of ratification.	
	1.4. Meet R&D substitution for military service quota requirements.	1.4.1 List “Innovative startups” as eligible for R&D substitution military service quota “policy support,” satisfying R&D substitution military service quota requirements in full in accordance with regulations.	Ministry of the Interior	To be implemented after ratification.	
	1.5 Establishing a favorable regulatory environment for the raising of capital by startups	.	1.5.1 Amend the Statute for Industrial Innovation, relaxing restrictions on the conversion of preferred stock to multiple common stocks or multiple voting stocks.	Ministry of Economic Affairs (NDC)	Draft amendments scheduled to be completed before the end of November.
			1.5.2 While maintaining stockholder rights and protecting creditors, relax restrictions on private issue of convertible bonds by non-public companies.	Ministry of Economic Affairs (NDC)	Draft amendments scheduled to be completed before the end of November.
1.5.3 Discussion and coordination with respect to laws relating to fundraising, including those related to			NDC	Directions for amendment to be put forward before the end of December.	

Strategy	Actions	Main points	Managing (Assisting) office	Timetable
		the capital registration system and no par value stock and relaxation of restrictions on employees stock option.		
Strategy 2 Global fund attraction	2.1 Introduce international venture capital.	2.1.1 Design an investment incentive mechanism. 2.1.2 Formulate the main principles of capital management.	NDF (NDC)	After ratification, implementation will begin following the approval of a report submitted to the Development Fund Management Committee.
Strategy 3 Cluster Building	3.1 Confirm the items for which the land of the Taipei Expo Park will be used.	3.1.1 Convert the land use of the Taipei Expo Park to exhibition use	Ministry of the Interior (Taipei City Government , NDC)	Scheduled before the end of July.
	3.2 Take two phases to implement the international startup cluster	3.2.1 Building and renovation (including plumbing, foundation, and décor).	Taipei City Government (NDF, NDC)	After the land use has been converted.
	3.3 Have the international startup cluster be operated by a private management team.	3.3.1 Prepare documents for invitation to tender. 3.3.2 Publicly select the management team. 3.3.3 Assist the management team to introduce or transfer startups, and help solve visa-related and other problems. 3.3.4 Assist the management team to introduce domestic and foreign incubation centers, accelerators, mentors, professional services, and capital. 3.3.5 Assist the management team in accessing resources overseas, to build international connections and engage in international commerce.	NDC NDC NDC (Ministry of Economic Affairs, Ministry of Science and Technology, Ministry of the Interior, Ministry of Foreign Affairs) NDC (Ministry of Economic Affairs, Ministry of Science and Technology) NDC (Ministry of Foreign Affairs, Ministry of Economic Affairs, Ministry of Science and Technology)	Before July 15. After ratification, the invitation to tender will be issued. To begin after the formation of the management team. To begin after the formation of the professional team. To begin after the formation of the management team.

V. Budget Requirement

From 2014 to 2018, the estimated funding requirements of this program will be NT\$600 million. This includes:

1. Promoting the establishment of an international startup cluster in Taipei, with funding requirements of NT\$450 million for building and renovation, to be provided by the National Development Fund. In 2014, the first stage of renovation of 9,000 square meters will cost NT\$200 million, to be provided by the National Development Fund and administered by the Taipei Expo Foundation. In the second phase, depending on the operating results of the park, 10,600 square meters can be renovated, costing NT\$250 million, with funding to be allocated by the National Development Fund in the 2016 budget.
2. The National Development Council will inject funds to meet the operational costs of NT\$50 million per year from 2015 until 2017, NT\$150 million in total. Subsequently, depending on the promotion circumstances, and subject to further discussion, a new budget will be compiled.

VI. Estimated Overall Benefits

This program has three main components: removing regulatory obstacles, introducing international capital and professional knowledge, and building an international startup cluster. From 2014 to 2018, in addition to the NT\$600 million of government investment in the international startup cluster, the National Development Fund plans to bring five international venture capital groups to invest in early-stage startups. With total investment of around NT\$15 billion, investment in domestic early startups of NT\$1.8 billion can be expected. The estimated benefits are below:

1. Quantifiable benefits

(1) Generate domestic investment of NT\$8.6 billion

This program will promote the establishment of more startups and help existing startups to scale up, and increased private investment. Through cooperation between the National Development Fund and domestic and foreign venture capital groups, the program will also guide private investment in startups. At the same time, by creating a positive environment for startups, the program will attract domestic and foreign businesses, as well as "angel" investors, to invest in startups. Total domestic investment is estimated to rise by NT\$8.6 billion.

(2) Create more than 5,000 jobs

Vigorous private investment will enable the establishment of new startups and the scaling-up of preexisting ones, and will also drive the development of related service industries. In addition, this program emphasizes connections with international talent and venture capitals; it seeks not only to attract more international startups to Taiwan, but also to drive international venture capitalist groups to invest in Taiwan. This will help create a new employment market, with more than 5,000 new jobs.

(3) Increase the value of output of startups by NT\$17.6 billion

This program, with participation of both the government and the private sector, will spur the development of startups and related industries. According to the industrial relations schema, with government investment of NT\$600 million in five years, and the further investment of NT\$8.6 billion that this will stimulate, the output of related industries will increase by NT\$17.6 billion.

2. Benefits for society

(1) Build a regulatory environment for innovation and entrepreneurship that is friendly and in-line with international standards, and reduce the costs for startups associated with regulations for hiring or fundraising, to increase productivity and efficiency.

(2) Help establish a mechanism for domestic venture capitalists to estimate the value of new and developing industries, and guide the flow of capital to domestic early-stage startups, solving the problem of inadequate funding.

(3) Build an international startup cluster in Taipei, to function as a forward looking, efficacious miniature ecosystem for startups, with strong connections to

international talent, investment, technology, and knowledge. Help startups to grow and thrive, and expand onto the global market.

- (4) Create a positive atmosphere for innovation and entrepreneurship, and use the stories of successful brands to inspire more young, creative people to become pioneers of industry. Create an international image of Taiwan as a place where innovation thrives.

VII. Implementation Timeline and Program Motivation

1. Program implementation timeline

This program shall be implemented from 2014 to 2018, for five years in total. Deregulation for innovation and entrepreneurship officially began in 2014, and has already produced positive results. The other two strategies, attracting international capital and professional knowledge, and building an international startup cluster in Taipei, will formally begin after the program has been ratified.

2. Promotion mechanism

In order to accelerate the three strategies of deregulation, introducing international capital and knowledge, and creating an international startup cluster in Taipei, the National Development Council will establish the HeadStart Taiwan Advisory Committee. The deputy minister of the National Development Council will act as the task force's executive secretary, responsible for planning, coordination, and promotion of matters concerning innovation and entrepreneurship. The task force will include three branches dedicated to regulation, investment, and cluster, made up of members of the Regulation Coordination Center of the National Development Council, the National Development Fund of the Executive Yuan, and the Industrial Development Department of the National Development Council respectively. As required, members of other relevant departments and commissions will be invited to participate in the Advisory Committee's meetings, to ensure active implementation of strategy, and timely revision of the program's content (see figure 9).

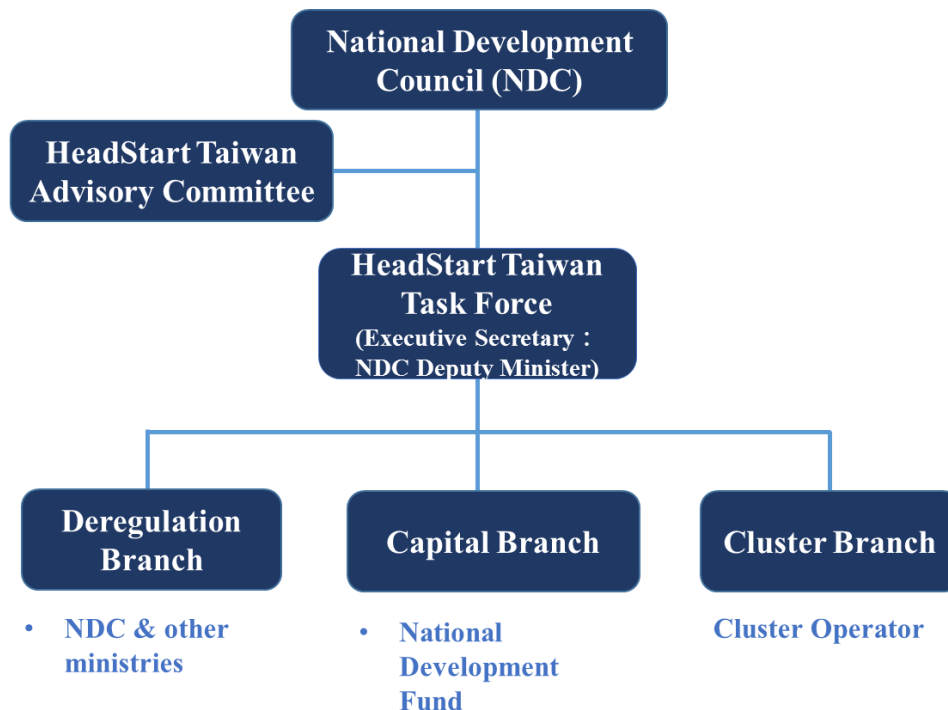


Figure 9. Organization Structure

VIII. Conclusion

Innovation and entrepreneurship are thriving around the world, with many countries competing for talent, capital, and knowledge. In East Asia, Singapore and South Korea are striving to become regional innovation and entrepreneurship centers. Taiwan should actively utilize its pre-established advantages and specialisms to accelerate the development of startups. In order to initiate Taiwan's next wave of economic growth, this program urgently requires the joint efforts and integrated resources of both the private and public sectors, to help startups grow and thrive, and become the fountainhead of Taiwan's next wave of economic development.



Appendix 1.

A list of organizations that conform to the Qualification Requirements for Innovation-driven Startups condition no. 4, are run directly by the Ministry of Economic Affairs or are collaborative incubation organizations, or have been declared a high-quality incubation organization by the Ministry of Economic Affairs in the last three years:

No.	Name
Run directly by the Ministry of Economic Affairs or collaborative incubation organization:	
1.	NanKang Biotech Incubation Center, Small and Medium Enterprise Administration,
2.	Nankang Software Innovation and Incubation Center, Small and Medium Enterprise
3.	Kaohsiung Software Incubation Center, Small and Medium Enterprise Administration,
4.	Southern Taiwan Science Park Incubation Center, Small and Medium Enterprise
5.	Hsinchu Biomedical Science Park Incubation Center
6.	Industrial Technology Research Institute Innovation Incubation Center
7.	National Chiao Tung University Small and Medium Enterprise Innovation Incubation
8.	Chung Yuan Christian University Small and Medium Enterprise Innovation Incubation
9.	Institute for Information Industry Small and Medium Enterprise Innovation Incubation
Rated as a high-quality incubation organization by the Ministry of Economic Affairs in the last three years (2011-2013):	
10.	National Tsing-Hua University Small and Medium Enterprise Innovation Incubation
11.	National Chiao Tung University Small and Medium Enterprise Innovation Incubation
12.	National Taiwan University of Science and Technology Business Incubation Center
13.	National Taipei University of Technology Small and Medium Enterprise Innovation and
14.	National Central University Small and Medium Enterprise Innovation and Incubation
15.	National Chung Cheng University Small and Medium Enterprise Innovation Incubation
16.	National Kaohsiung University of Applied Sciences Small and Medium Enterprise
17.	Tamkang University "Champion" Small and Medium Enterprise Innovation Incubation
18.	Ming Chuan University Small and Medium Enterprise Innovation Incubation Center
19.	Chung Yuan Christian University Small and Medium Enterprise Innovation Incubation
20.	Chung-Hua University Small and Medium Enterprise Innovation Incubation Center
21.	Business Incubation Center of Feng Chia University
22.	Chaoyang University of Technology Small and Medium Enterprise Innovation Incubation
23.	Far East University Precision Machinery Innovation Incubation Center
24.	Footwear and Recreation Technology Research Institute Innovation Incubation Center

Appendix 2.

A list of organizations that conform with the Qualification Requirements for Innovation-driven Startups condition no. 5, representative domestic or international competitions for innovation and design:

Category	Name
Innovation competitions	Ministry of Science and Technology From IP to IPO Program, Taiwan
	Ministry of Economic Affairs Business Startup Award, Taiwan
	Ministry of Education U-Start Program, Taiwan
	IDG DEMO Show , International Data Group, the USA
Design competitions	Red Dot Award, Germany
	IF Design Award, Germany
	G-Mark Award, Japan
	IDEA Award, USA