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**The Government and the Private Sector Need to
Collaborate in Making an All-out Effort to Promptly
Overcome the Crisis of Global Venture Investment
and Move Forward**

- The ‘Venture Capital Forum’ was held in order for the government and the industry to jointly examine and analyse the crisis of the venture investment market and seek response measures.
- The crisis should be taken as an opportunity to strengthen the venture/startup ecosystem and the government and the industry need to collaborate to devise initiatives to invigorate the ecosystem.

On April 18 (Tuesday), the Ministry of SMEs and Startups (Minister LEE Young, hereinafter referred to as “MSS”) and Korean Venture Capital Association (Chairman YOON Gun soo, hereinafter referred to as “KVCA”) held the ‘Venture Capital Forum’ as a means to examine and analyse the deteriorating venture investment market from the perspective of the industry and in order for the government and the private sector to jointly explore and pursue ways to invigorate the venture/startup ecosystem.

< Overview of the Venture Capital Forum >

- ◆ **Date/Venue:** April 18 (Tuesday), 2023 14:30~16:30 / Bloom B. Glad Hotel, Yeouido
 - ◆ **Attendees:** Minister of SMEs and Startups, representatives of the venture capital industry, investment officer, etc.
 - ◆ **Highlights:** Subject presentation* and panel discussion
- * “Response strategies and a policy support direction to invigorate the venture ecosystem”

The forum was prepared as part of the joint effort by the industry and the government to respond to the crisis occurring with the contraction of the global* venture investment market. Uncertainty in the global financial environment continues due to high interest rates and high prices.

* In the US, venture funds of USD 11.7 billion (decrease of 84.1%) and venture investments of USD 37 billion (year-on-year decrease of 55.1%) were raised in Q1, 2023. If two mega investments (USD 16.5 billion in total) are excluded, the venture investments decrease by 75.1%.

According to the announcement made that day, in Korea, the amount of venture funds raised and venture investment performance in Q1, 2023 decreased by 78.6% and 60.3%, respectively, from the same period of the previous year.

In her opening remarks, Minister LEE Young said that, as expected, there was a considerable decrease in venture investments in Q1, 2023. LEE added that venture investments had actually recorded an increase of 13%-14% compared to the same period of 2019 and 2020 but that as a result of the unprecedented rise in venture investments in 2021-2022, the figures for 2023 appear dismal and that this distortion effect must be taken into account.

* Q1, 2021: Up 70.5% year-on-year / Q1, 2022: Up 68.5% year-on-year

Minister LEE is planning to use all the capabilities of the MSS to help the innovative venture industry overcome the combined crises it is facing, while invigorating the venture/startup ecosystem.

First of all, the MSS will invest around KRW 1 trillion in a fund of funds this year to induce the raising of feeder funds exceeding KRW 2 trillion and the MSS currently applies full-scale incentives, such as management and

performance fees, to encourage venture capital firms to promptly execute an investment surplus of around KRW 11 trillion (as of the end of 2022).

The MSS is planning to enhance its R&D support in the deep tech field through the Super Startup 1000+ project, etc. and actively help ventures/startups in cutting-edge fields grow and enter the global market by pursuing bold regulatory innovations, such as introducing global innovation special zones, and increasing the global fund raised.

The MSS is improving relevant laws, systems, and infrastructure to provide support for Korean startups that are advancing and growing abroad, while developing various policies with the watchword ‘Startup Korea’ so foreign talent can freely start their businesses in Korea.

In addition to the KRW 80 trillion fund supply plan for SMEs, which is currently being implemented, the MSS and the Financial Services Commission are preparing a plan to improve the financing environment for ventures/startups and improve their competitiveness through provision of additional funds and regulatory innovation and planning to announce it this week.

YOON Gun-soo, the Chairman of KVCA, attended the forum as a representative of the venture capital industry and gave a keynote speech with the theme “Response Strategies and a Policy Support Direction to Invigorate the Venture Ecosystem.”

Chairman YOON said that the current contraction of the investment market has been caused by economic uncertainty rather than lack of investment resources and it is a global phenomenon.

The government needs to actively support companies with high growth potential, such as companies in new growth industries, and overcoming the crisis in the venture/startup ecosystem requires facilitating the entry of ventures and startups to the global market, providing support for deep technology development and regulatory innovation.

YOON also said that it is necessary to boost early-stage investment and increase the fund of funds for small venture capital firms.

YOON stressed that most of all, venture capital firms and ventures, both the main players in the venture/startup ecosystem, should do their utmost to discover outstanding companies and flexibly respond to the market situation in order to overcome the current crisis.

During the panel discussion, which followed the subject presentation, participants offered various suggestions about increasing secondary funds and easing IPO requirements to invigorate the investment return market, as well as improving systems to build up corporate venture capital (CVC).

Minister LEE agreed with most of the suggestions from the industry and said, “As this crisis is a global phenomenon and overcoming the crisis in a short time period is the key to enhancing economic competitiveness, the government and the private sector need to take this as an opportunity to strengthen the venture/startup ecosystem and collaborate in making an all-out effort to invigorate the ecosystem.”

LEE added, “The government will carefully examine the various opinions voiced by the industry at the forum and thoroughly consider them when developing and implementing venture/startup policies.”