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# KOREA STARTUP ECOSYSTEM DEVELOPMENT

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## **EARLY STAGE** (1980s – early 90s)

- Government established some VCs
- Primary sources of funding were loans
- Basic regulations were prepared
- Two ministries governed the VCs
- Privately VCs were established



This content was extracted and modified from Jinsuk Lee (KVIC)'s presentation at ADB's workshop in Seoul (4 Nov 2024)

### CRISIS AND OPPORTUNITY (1997-)

#### IMF Crisis in 1997

- Mass layoffs led to a pool of talented professionals in the job market
- Startups was seen as a new opportunity.

### Government's Policy Actions

- KOSDAQ was established
- Many VCs were formed, and huge investment made



# INSTITUTIONAL SETTING (early 2000s)

- K-FoF (Korea Fund of Funds) as a key instrument (2005) to boost startups
- Korea Venture Investment Corporation (KVIC) as General Partner (GP) to coordinate the government's funding policies



#### LPs (government dept. & agencies)



- Ministry of SMEs and Startups
- Ministry of Culture, Sports and Tourism
- Korean Intellectual Property Office
- Korean Film Council
- Ministry of Science and ICT
- Ministry of Employment and Labor
- Ministry of Health and Welfare
- Korea Sports Promotion Foundation
- Ministry of Environment
- Ministry of Education
- Ministry of Land, Infra. and Transport
- Ministry of Oceans and Fisheries

**KFoF** Capital From: 2005.7.15. Contribution Size: 6,790M USD **Policy**  Term: 30yrs(2005~2035) Agenda Fund Management KVIC: GP of KFoF KVIC

Korea Venture Investment Corp.

VC: GP of Venture Funds

1,142 KFoF-backed Funds

■ Early Stage

M&A

- Young Entrepreneur
- Culture, Movie
- IP

Capital

Contribution

Return

Distribution



#### Startups

- 9,312 underlying portfolios
- 21,841M USD was invested
  - Kakao, Toss
  - Curly, Musinsa
  - KRAFTON
  - Yanolja, Jikbang

Source: KVIC, March 2023

### NEW OPPORTUNITY FOR MOBILE (2010s)

- Smartphones boosted mobile businesses in 2010s
- Rapid expansion on investment to ICT service & earlystage startups.
- TIPS (Tech Incubator Program for Startup) has been successfully nurtured numerous startups (started in 2013) through a matching fund mechanism

### **Early Startup Package:**

### **Tech Incubation Program for Startup (TIPS)**

- To provide matching research and development funds (500k USD and above) and incubation services to selected startups. Supports prototyping, global expansion, marketing and follow-up commercialization.
- It encourages more private investment in startups and reduces their financial burden and risk. Startups are selected from a pool of investment proposals, put forward by 112 accredited investors and meet the following criteria:

To date, TIPS has supported over 2,200 startups, of which 1,100 secured \$12 billion follow-on investment, 11 initial public offerings, and 67 acquisitions.

In 2023 it funded 871 startups.



### START-UPS RE-BOOMING (2017-)

- KFoF has increased its budget dramatically overtime since 2017.
- Strategic investment, foreign players, and private equity funds entered the market.
- The COVID-19 pandemic led to increased liquidity.
- Investments lagged for a while, but they soon rebounded and expanded further.



### Startup Ecosystem Journey in a Nutshell

- 1997 Asian Financial Crisis as a trigger:
  - >> Startups was seen as an opportunity for both investors and Government.
- Creating an **enabling environment**: Government established support schemes for startups, partnering with angel investors, venture capital firms and large corporates.
- Effective and long-term **partnerships** with educational institutions and entrepreneurship support organizations (ESOs) that benefitted from public funding for startup initiatives.

