

GOVERNMENT UNVEILS PLANS FOR K-NEW DEAL FUND

The government announced its plans for the K-New Deal fund at the 23rd Meeting of the Central Economic Response Headquarters held on December 23.

PUBLIC SECTOR-LED NEW DEAL FUND

From 2021 to 2025, the government aims to raise a total of KRW20 trillion public sector-led New Deal fund through matching investments from the private sector. The public sector funds in the amount of KRW7 trillion will be invested in the fund over the next five years, which will pump-prime private sector investments in the amount of KRW13 trillion.

In 2021, the government aims to launch and operate a New Deal fund in the amount of up to KRW4 trillion, thirty-five percent of which will be funded by the public sector including fiscal spending of KRW510 billion and investments from the Korea Development Bank and Korea Growth Ladder Fund. The remaining portion of the fund will be financed with private sector investments from both institutional and retail investors. Retail investors will be allowed to invest via public offerings of privately placed funds, which will make up about five percent of the total private sector investments.

INVESTMENT ALLOCATION PLAN

The public sector-led New Deal fund in 2021 will be allocated according to policy priorities and the purpose of the investments. First, fund allocation will be based on a bottom-up approach, reflecting investment proposals from the private sector. The investment will be focused on six major New Deal sectors—data, network and artificial intelligence (DNA) sectors, future car & green mobility sectors, eco-friendly & green industries, New Deal services, SOC & digital logistics and smart manufacturing & smart farming sectors.

At the same time, the fund will invest in New Deal sector businesses for their New Deal related projects on M&As, acquisition of technologies, R&D, facility investment and business transformation projects. The proportion of investments on New Deal businesses will make up about seventy to ninety percent with about ten to thirty percent of investments allocated to SOC infrastructure investments. Considering market demands, policy priorities, investment performance and so on, adjustments can be made when necessary on how much investment will be allocated to different sectors.

PROVIDING INCENTIVES FOR PRIVATE SECTOR INVESTMENTS IN NEW DEAL FUND

In order to promote active participation from the private sector, the following incentives will be provided.

- 1) Permit long-term investment: Allow operation of funds for up to ten or twenty¹ years for investments in New Deal sectors that are expected to have longer term investment return periods than the ordinary funds which usually operate for seven to eight years
- 2) Provide diverse incentives: Offer different incentive options for private sector investors, such as a partial coverage of investment loss, priority distribution of excess returns and call options to buy certain portions of assets at a predetermined price within a specific time frame²
- 3) Reduce investment risks and provide support: Raise the proportion of government investment from an average of thirty-five percent to up to forty-five percent for high-risk investment projects when necessary after assessing the necessity of investments and risks

FURTHER PLANS

The Korea Growth Investment Corporation and Korea Development Bank will begin the application process for fund of funds in December 2020 and select fund managers in February 2021.

Through close collaboration between the relevant ministries, the government will continue to look for investment projects in New Deal sectors, promote network building between entrepreneurs and investors and work on improvements to New Deal sector investment environment. In the meantime, the government will continue to hold public IR events on New Deal sectors throughout 2021 and look for new investment opportunities.

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For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.

¹ Given special circumstances of particular investment projects, such as infrastructure investments

² Stronger performance may generate to stronger incentives.