

KOTEC Newsletter

www.kibo.or.kr

No. 47

April, 2019

 **KIBO** Korea Technology Finance Corporation

33 Munhyeon Geumyung-Ro, Nam-Gu, Busan, Korea 48400

InnoRate – a new Horizon 2020 project for supporting and improving the decision-making processes of investors for financing innovative SMEs.

Background

Innovation is key for boosting the competitiveness of the European economy, creating jobs and driving its sustainable growth and, therefore, has to be adequately supported through investments. Of course, when it comes to innovative SMEs with high-growth potential that can play a pivotal role in driving economic growth, access to finance can be a bit of a challenge. At the same time, the current state of play in assessment methodologies does not seem to be able to mitigate the risk aversion of investors, who end up passing up on very promising investment opportunities.

The InnoRate project

InnoRate is set on deploying a trusted, objective and recognised service platform across the EU and Associated Countries to support and improve the decision-making processes of invest or sand lenders for vetting, prioritising and ultimately financing innovative SMEs with high growth potential.

The novel InnoRate Technology Rating Platform will provide a suite of digital decision support tools and services, reinforced by well-customised innovation assessment and rating methodologies that go beyond the traditional credit-focused approaches in evaluating the technological and business potential and risks of innovations. To develop these novel methodologies, the project draws inspiration from the trusted and widely applied Korea Technology Rating System(KTRS), with a view to adapting it to the EU reality. KTRS has been used for more than 20 years in Republic of Korea, supporting hundreds of thousands of innovative SMEs to access finance and grow.

Leveraging the wealth of existing data, semantic technology and in-depth human expertise, the InnoRateTechnologyRatingPlatformaimsto:

- ▷ Minimise the time and resources (human and financial) required by investors and lenders for assessing innovative SME cases;

- ▷ Make the prospects of innovative SMEs clear to investors;
- ▷ Reduce knowledge and information asymmetries and risk premiums paid by innovative project managers.

Ultimately, InnoRate's vision is to disrupt the largely risk-averse financial sector of the EU and AC, enhancing the innovation capacity of high growth technology sectors and paving the way for disruptive innovations to flourish, so as to place Europe in the forefront of the global innovation game. To put it simply, we want to bring innovation to finance and finance to innovation.

The InnoRate Technology Rating System along with its rating methodologies and digital decision -support tools will be piloted in the context of the investment readiness and match making services that will be offered by the project to interested stakeholders, covering a diverse set of use cases, ranging from investors scouting for and prioritising high-growth potential SMEs for access to finance, to financial institutions assessing such SMEs for loan-based financing.

InnoRate is a 3-year project that started on the 1st of January 2019 and is funded from the European Union's Horizon2020 research and innovation programme. The InnoRate consortium consists of 9 partners from 6 countries (i.e. Greece, Italy, Belgium, Bulgaria, France and Republic of Korea), covering a wide range of competences and expertise:

- Q-PLAN INTERNATIONAL ADVISORS PC, Thessaloniki, Greece – (Coordinator of the InnoRate project), www.qplan-intl.com
- TECH TOUR GLOBAL, Bulgaria, www.techtour.com
- ERNST & YOUNG FINANCIAL BUSINESS ADVISORS SPA, Italy, www.ey.com
- EUROPEAN BUSINESS AND INNOVATION CENTRE NETWORK AISBL, Belgium, www.ebn.eu
- Jolt Capital SAS, France, www.jolt-capital.com
- WHITE RESEARCH SPRL, Belgium, www.white-research.eu
- ONTOTEXT AD, Bulgaria, www.ontotext.com
- UNISMART PADOVA ENTERPRISE srl, Italy, <http://www.unismart.it/en/>
- Korea Technology Finance Corporation (KOTEC), Republic of Korea, www.kibo.or.kr



The InnoRate project has received funding from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No 821518.

KOTEC's tech rating system gains global recognition

The Korea Technology Finance Corp. (KOTEC), an agency fostering domestic small and medium-sized technology firms, is gaining global recognition for its technology rating system.

The quasi-government agency, currently led by Chairman Jeong Yoon-mo, has provided assistance to more than 90 percent of the 572 domestic venture companies that generate more than 100 billion won (\$88.38 million) in sales a year.

It has fostered four out of six "unicorn companies" which are unlisted startups that are valued over \$1 billion, including Viva Republica, operator of the mobile payment app Toss, which is ready to set up an internet-only bank.

The number of firms receiving credit guarantee services from the agency has continued to grow. In 2018, the figure stood at 78,244, up from 74,591 in 2017 and 71,285 in 2016.

KOTEC was established in 1989 to finance technologically viable but credit-constrained SMEs, as a means to promote these firms' development of technology. Since its establishment, it has provided credit guarantees worth a total of 345 trillion won.

Supporting innovative SMEs With a well-established credit guarantee scheme, KOTEC devised technology rating services to better serve its innovative SME clients.

In 1997, it opened the nation's first technology appraisal center, to enable credit guarantees based on a firm's potential, rather than current financial circumstances of the company.

In 2005, KOTEC developed its own technology appraisal system called Kibo Technology Rating System (KTRS). All credit guarantees are now provided based

on technology ratings. The system assesses commercial viability and associated risks of technology projects to better determine the value of intangible assets owned by SME clients.

KOTEC, based in Busan, has established a system that enables technology appraisals nationwide. The Central Technology Appraisal Institute plays a central role. Out of 1,300 employees, around 950 are involved in technology rating, including 240 with PhDs. They had conducted a total of 667,404 technology appraisals by the end of 2018. Exporting KTRS KOTEC has become a leading technology finance institution in Korea and its KTRS earned world-wide recognition as one of the best practices in financing innovative SMEs.

Since 2013, KOTEC has been exporting its system to developing economies as well as to the European Commission. As part of the Ministry of Strategy and Finance's Knowledge Sharing Program, KOTEC has been transferring know-how on establishing a technology rating system for SMEs to Vietnam and Thailand. Under a memorandum of understanding (MOU) signed with Vietnam's State Agency of Technology Innovation (SATI) in 2013, KOTEC trained visiting employees of SATI about its technology rating system.

In 2015, KOTEC conducted a project with Thailand on transferring its technology rating and credit guarantee system. In 2017, KOTEC worked with the government of Peru on developing the latter's technology rating system, and advised on its credit guarantee policies. The agency's system also received attention from developed economies. In 2013, the Japan Finance Corporation visited KOTEC to learn about KTRS.

In 2015, Spring Singapore, which was a statutory board on standards, productivity and innovation under the country's trade and industry ministry, as well as Singapore's three major banks — Development Bank of Singapore, Oversea-Chinese Banking Corporation and the United Overseas Bank Limited — learnt about KOTEC's systems.

In 2012, KOTEC's technology rating system also earned recognition from Europe, with its INNO-Partnering Forum (IPF) introducing the system as a "good practice" in a report submitted to the European Commission. In the same year, KOTEC was

invited to make a keynote speech at an IPF general meeting in Brussels.

KOTEC was the only Asian institution to speak at EuroSME 2013, a high-level EU conference. Visits to KOTEC from institutions assisting technological innovation in France and the Netherlands followed.

In 2016, the EC requested the EU implement KOTEC's technology rating system. In 2017, KOTEC completed developing a model which could be applied to companies within Europe and the agency became the first Korean financial institution to sign a memorandum of understanding with the European Investment Bank (EIB) on assisting innovative SMEs and on cooperation on technology appraisal. In a 2018 EIB report, the KTRS was referred to as a "global best practice" and was included in the EC's three-year R&D project, which began this year.

Keep your precious technology safe in the KOTEC Technology Safe Box!

- "Korea Technology Financial Corporation," held an opening ceremony for "Tech Safe System" (1.29) -

- # The electronic safety devices for protecting SMEs' transaction records and technical information are implemented.
- # The reduction of unfair demands for technical data upon bidding or offering transactions is expected.
- # The government takes the lead in spreading the culture of confidentiality agreements

New safety devices that electronically record the circumstantial information and transmission records in case of unfair request for technical information of SMEs and provide evidences in events of disputes are offered.

- # The Korea Technology Financial Corporation (Chairman JEONG Yun-mo, 'KOTEC' hereafter) held an opening ceremony for the 'Tech Safe System' at the Korea Federation of Small and Medium Business (KBA) in Yeouido, Seoul, on January 29 along with the Ministry of SMEs and Startups (Minister HONG Jong-hak).

* Attendees: Approximately 120 people, Minister of MSS, National Assembly members (Park Jeong, Hong Il-pyo), Chairmans of related agencies (Women Venture Association, Main Biz Association, etc), related ministries (Ministry of Trade, industry and Energy, Fair Trade Commission, Prosecution Service, Korean National Police Agency, Korean Intellectual Property Office, etc.), and SMEs.

- # The event was held in the order of the declaration of the 'Tech Safe System' opening, the screening of promotional video, the introduction of KOTEC's service for protecting technology, and the demonstration of the system.

Tech Safe, a combination of "technology" and "safe box," refers to an online technology safe system (<http://ts.kibo.or.kr>) that includes a "technical information

transaction record registration system" and a "technical information escrow system."

"Technical information transaction record registration system" keeps the registration of verbal and/or online records of circumstance and transaction, which can be utilized as legal evidence in case of dispute, upon unfair request for technical information during the process of business offering.

Also, 'Technical information escrow system' provides an evidence for the ownership by presuming that SME, that escrowed technical and management information, such as trade secrets and business models, is the developer and owner of the technology

KOTEC, a leading technology assessment institution over 30 years, was appointed as a technology trust management institution in October, 2018, and plans to promote technology transfer by implementing systems for technology protection and technology trust.

In his congratulatory speech, Minister HONG Jong-Hak said "The key to technology protection is to change wrong kind of practices and culture, and the government is making an effort to provide the means to protect SMEs themselves."

It was also mentioned that "We will create a culture of signing confidentiality agreements upon the request of technical information."