Introducing Social Enterprise & Social Investment in Korea

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Chong Soo Lee
Social Investment, Korea
Social issues in Korea

- Community disruption
- Sexual violence
- Children’s issues
- Youth unemployment
- Polarization
- Aging society
- North Korean defectors
- Multi-cultural families
- Environmental pollution

- World’s 13th largest economy
- Ranked No.1 in the global market share for memory semiconductors
- Ranked world No. 1 in broadband penetration
- Ranked world No.1 in semiconductor manufacturing
- Ranked world No.1 in car manufacturing
- Ranked world No.1 in DRAM

- South Korea, One of the world's poorest countries (ranked 120th)

1950 - The Korean War
Development of Social Enterprise & Investment

Early 2000s
- Microcredit institutions launched (e.g. Joyful Union, Social Solidarity Bank)

2007
- Dormant Deposit a/c Administration Act legislated
- Smile Microcredit Bank launched in 2009
- The Social Enterprise Promotion Act enacted

2008–2009
- Microcredit funds supported by the Ministry of Health and Welfare

2008
- Private institutions implemented loan program for social enterprises under the guidance of the Ministry of Employment and Labor

2011
- Social Finance Forum organized
- Fund of Funds initiated by the Ministry of Employment and Labor

2012
- Impact investing in private sector
- Social Investment, Korea founded

2013
- Seoul Social Investment Fund
- Social Impact Evaluation Network (SIEN) organized
Private Sectors' Initiatives

2000 ~ 2002
NGOs launched microcredit program
(Joyful Union & Social Solidarity Bank)

2006
- Government started to provide MFIs with Fund
- Dr. Yunus visited Korea to receive “Seoul Peace” prize
- Private MFIs expanded their activities to support social enterprises

2007
- Government (Ministry of Employment and Labor) implemented a lending program to social enterprises through NGOs
- SK group pioneered to promote and develop social enterprises followed by other conglomerates
History

2007  Legislation of Dormant Deposit a/c Administration Act
2009  Smile Microcredit Bank established
   - Target fund: USD 2 billion for 10 years

Fund source & Operation

6 conglomerates
5 Major Banks
Other Source

USD 700M (Dormant a/c)
USD 1 Billion (Donation)
USD 50M (Donation)
USD 250M (Donation)

Central Smile Microcredit Bank

Conglomerates & Banks Smile Microcredit Foundation
Community Smile Microcredit Foundation
Existing MFIs
History

2007. 1  Social Enterprise Promotion Act legislated
2010.12 Korea Social Enterprise Promotion Agency(KoSEA) was established

Key Activities

- Issue certificates for the qualified SEs
  (848 SEs as of June 2013)
- Provide subsidy for labor cost
- Preferential purchase for the products and services of SEs
- Operate young social entrepreneur incubating centers
- Provide consulting services
Seoul Social Investment Fund

USD 50 million
Seoul Metropolitan City

USD 50 million
Private Sector

Lending / investing in Social Enterprises
Cooperation with intermediaries
Social Housing
Social Impact Bond
Building infrastructure & ecosystem for social investment
- The first social finance institution in Korea
- Established by Social Solidity Bank in Dec 2012
- Operating Agency of Seoul Social Investment Fund

Vision

Investing in the sustainable future

Change Maker: strive for social innovation through social finance

Opportunity for all: provide equal opportunities to as many people as possible

Reliable Organization: build a reliable organization based on fair and transparent management

Excellence in Operation: run a sustainable operation with excellent human resources
Issues

- Lack of awareness about social enterprise and investment
  - Patient capital vs. Expectation for short-term outcomes (incl, recovery rate)
  - Social impact vs. Financial sustainability

- Too many government initiatives and lack of governance
  - Bureaucracy and inflexibility

- Limited financial resources
  - Difficulty in raising fund from the private sector

- Regulations on asset management
  - Limited equity related investment (legal constraints)

- Insufficient legal and institutional support
✓ Providing legal identity to social enterprises (ie. CIC of UK)
✓ Improving transparency of social enterprises – audit & disclosure
✓ Measuring social impact and rewarding the result
  – Credit rating agency
  – Social Impact Evaluation Network (SIEN)
✓ Activating social investment market to secure the variety of funds for social enterprise
  such as social venture capital, crowd funding and conventional capital market
  – Tax incentives for social investors
✓ Establishing a Social Investment Bank as wholesale fund provider
  (ie. Big Society Capital, UK)
✓ Establishing a social stock exchange
✓ Roles and responsibilities among private sector, business and government
Thank you for listening