



# Introducing Social Enterprise & Social Investment in Korea

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# Social issues in Korea

The Korean War

1950

South Korea, One of the world's poorest countries (ranked 120<sup>th</sup>)

Ranked world No.1 in shipbuilding

Ranked world No.1 in DRAM

Ranked world No.5 in car manufacturing

Ranked world No.1 in semiconductor manufacturing

Ranked world No. 1 in broadband penetration

Ranked No.1 in the global market share for memory semiconductors

2013 World's 13<sup>th</sup> largest economy

Community disruption

Sexual violence

Children's issues

Youth unemployment

Polarization

Aging society

Poverty

North Korean defectors

Multi-cultural families

Environmental pollution







## 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



# Smile Microcredit Bank



2009년 12월 봄처럼 환~짝  
대한민국 미소금융이 피어납니다!

Smile again



희망을 빌려주는 아름다운 소액대출 미소금융 프로젝트  
신용도가 낮아도 지원받기 어려운 계층을 빌려주는 서민금융이 봄처럼 미소금융으로 새롭게 출발합니다.  
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1600-5500

▶미소금융이란? 서민층의 생활을 돕는 무담보 소액신용대출(마이크로크레딧)의 일환으로써 향후 10년간 2조원의 자원을 마련하고 전국 200~300개의 지역법인을 설립하여 저소득층을 지원하는 새로운 서민금융 프로젝트입니다.  
서민이 활짝 웃는 그날까지 - 미소금융중앙재단

## 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



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




**Korea Social Enterprise  
Promotion Agency**



# 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



**KOREA SOCIAL INVESTMENT**  
Operating Agency of Seoul Social Investment Fund

## Vision

### Investing in the sustainable future

- C**hange Maker: strive for social innovation through social finance
- O**ppportunity for all : provide equal opportunities to as many people as possible
- R**eliable Organization: build a reliable organization based on fair and transparent management
- E**xcellence in Operation: run a sustainable operation with excellent human resources



- ✓ 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

