

Public Financing for Social Innovation (June 2026)



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Case Study

South Korea



Social Progress Credits

Policy rationale

South Korea is endowed with a rich social and solidarity economy tradition, and its ecosystem of social enterprises has been rapidly growing over the past two decades. South Korea's Ministry of Employment and Labor laid the foundation for the development of the Korean impact ecosystem through the Social Enterprise Promotion Act, which supports the establishment, operation, and growth of social enterprises.

As of 2024, over 3,762 social enterprises had been certified under the 2007 Social Enterprise Promotion Act, thereby making them eligible to receive government benefits such as employment subsidies, tax reductions, and preferential purchasing schemes. Since 2018, the Ministry of SMEs and Startups has also begun to actively support social ventures through credit guarantees and an impact fund of funds worth about USD 80 million. The Ministry of SMEs and Startups counted 3,259 social ventures, mostly operating on technology-based solutions, by the end of 2024.

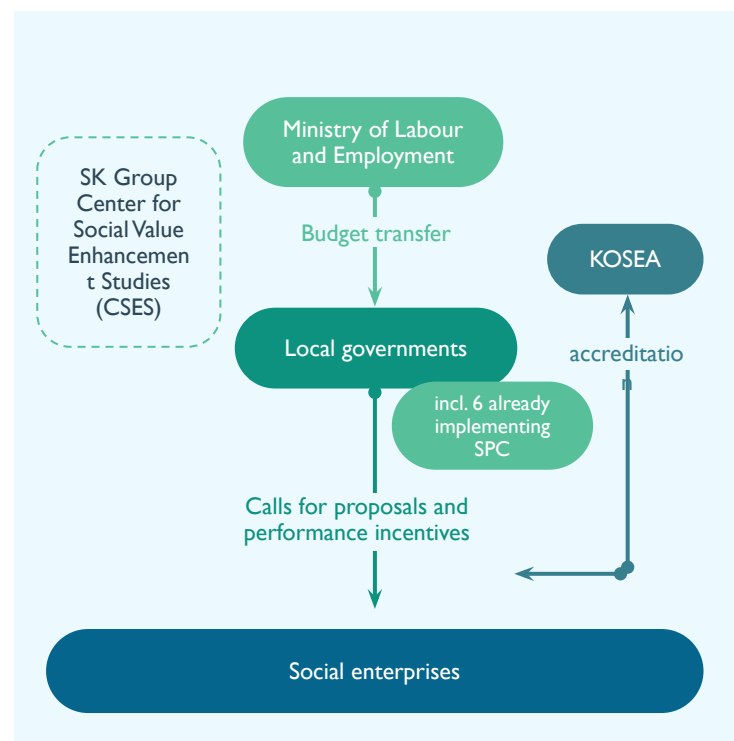
The Social Progress Credits (SPC) programme aimed to solve a practical problem: many socially oriented firms were doing useful work, but there was no consistent way to price that impact or reward it. SPC created a market-like mechanism where social value could be measured, recognised, and funded more systematically. SPC's performance-based incentives target mature social enterprises with established business models and sustainable revenue streams, to reduce dependence on public subsidies while scaling impact

Overview

SPC is a pioneering outcome-based funding model launched by SK Group¹ in 2015 through its corporate foundation, the Center for Social Value Enhancement Studies (CSES).

The **Korea Social Enterprise Promotion Agency (KOSEA)**, a government body under the Ministry of Employment and Labor, participated in the initial SPC steering committee, convened by SK Group in 2014, to design measurement standards, participant recruitment, and rewards.

The Korean central government decided to pilot SPC nationwide in 2026, with a budget of nearly USD 8 million. In addition, six local governments in Korea have adopted SPC over the past few years, and two of them have institutionalised this experimental financing approach through local ordinances.

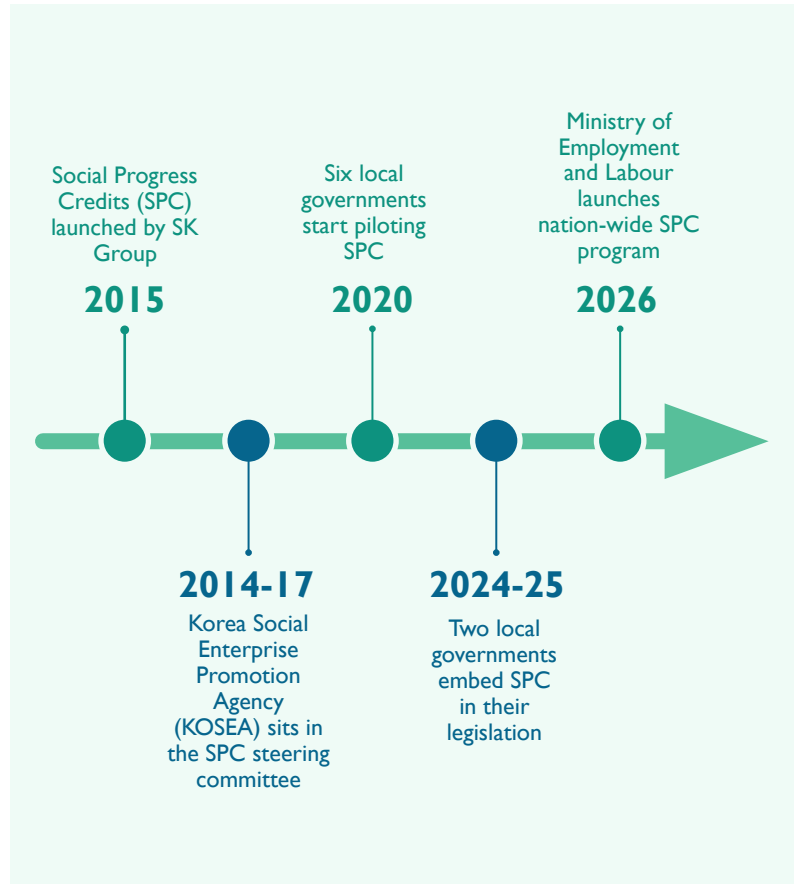


¹ A South Korean multinational manufacturing and services conglomerate headquartered in Seoul.

Timeline

SK Group began preparing for SPC in late 2013 to test the feasibility of the idea. SK Group’s Social Value Committee formed three steering committees with the KOSEA, social entrepreneurs, intermediary support organisations, impact investment institutions, private companies, and academic researchers. The measurement and compensation scheme was designed in consultation with social enterprises over the course of 18 months. In 2018, SK Group established a separate nonprofit foundation, CSES, which serves as the Secretariat of SPC.


Over the past five years, six local governments (South Gyeongsang Province, South Jeolla Province, Jeju Province, Chuncheon City, Hwaseong City and Seoul Metropolitan Government) have signed agreements with CSES for social performance compensation systems. Two local governments decided to embed the SPC model in their legislation (Jeju Province in 2024 and Jeonbuk State in 2025).



In 2025, South Korea’s government started exploring the expansion of the Social Progress Credits (SPC) model into public services through public-private partnerships. This builds on SPC’s success in measuring and rewarding the social value generated by enterprises, and aims to integrate similar performance incentives into public sector operations.


In 2026, the Minister of the Interior and Safety pledged to foster a new growth ecosystem by promoting the Social Solidarity Economy Basic Act, which aims to introduce an innovative financing mechanism. Also, in 2026, the Ministry of Employment and Labor began piloting a nationwide SPC programme.

Budget



The total public budget committed by the six local governments involved in SPC from 2022 to 2028 amounts to KRW 1.85 billion (USD 1.22 million). KRW 1.0 billion (USD 662,700) was spent through 2025, with an additional KRW 0.85 billion (USD 563,380) planned for 2026–2028. In 2026, the Ministry of Employment and Labor committed approximately KRW 10 billion (USD 6.63 million) for the nationwide programme.

Financial intermediaries



Each of the six administrations recruits social enterprises, measures their impact using the SPC model and rewards proportionately. Similarly, the national SPC programme, adopted by the Ministry of Labor and Employment, will be implemented in 2026 by local governments. They will receive the budget allocation, organise the calls for proposals, select the social enterprises, measure their performance and disburse the impact premiums.

Target clients

Since 2015, 468 companies have joined the SPC programme run by SK Group. Examples include Chungmil (food distribution for disabled/elderly), SuperBin (recycling with AI tech), and Cizion (healthy internet content).

The programme launched by the Ministry of Labor and Employment targets up to 500 certified social enterprises. Local governments implementing calls for proposals have some discretion over the eligibility, which can extend beyond certified social enterprises. They can also use the Social Value Index developed by KOSEA as a priority criterion when ranking the proposals received. The national programme was designed to prevent dual rewarding, so a social enterprise cannot apply if it already has another public procurement contract, or is already in the SPC portfolio.

The SPC programme is targeted at social enterprises that have already achieved some impact before the cash incentive is granted. It is not viable for early stage social enterprises, which still need traditional subsidies or seed capital.

KEY FIGURES

| | |
|--|---|
| SPC created KRW 536.4 billion (USD 355 million) in social value across 468 firms over a decade | SPC achieves 1.5 to 2 times higher social return on investment (SROI) per unit of input than traditional support mechanisms |
| SPC participants: improved their operating models (71% reported gains, 34% higher sales, 2.7x retention of employees), produced 3x more performance and increased their borrowing capacity (by KRW 145 million, USD 96,100) compared to non-participants | |

Financing terms



SPC operates under four-year contracts with participating social enterprises: one practice year for metric development followed by three years of active measurement. The SPC methodology quantifies social impact in monetary terms and provides cash incentives proportional to the impact created. In the Seoul metropolitan area, the incentive rate is 15%, while in non-metropolitan regions it is 20%. Unlike SK Group's SPC, government-led SPC programmes have a cap on incentives: KRW 100 million (USD 66,280) for preliminary/certified social enterprises, and KRW 50 million (USD 33,125) for others. Unlike traditional government or philanthropic grants, SPC doesn't specify or restrict the use of funds. Social enterprises participating in SPC thus have the autonomy to use the cash incentives according to their needs and strategies (loans, R&D, salaries, or reinvestment, etc).

Mobilisation potential



Since the launch of the SPC in 2015, SK Group alone has disbursed a total of USD 51 million in cash incentives in proportion to social performance. SK Group also supported the expansion of the programme to six local governments through matched incentives (50% SK Group, 50% local governments). After the agreement period ends, SK funding is expected to exit, with local governments continuing the programme independently. For these six local government programmes, CSES has been providing impact measurement services free of charge.

Impact considerations



Social value is monetised conservatively using market prices or realistic proxies for outcomes, such as wages for jobs created or service fees for elderly care. Metrics cover four areas: job creation, social services, environmental solutions, and ecosystem building, with enterprise-specific tailoring via regular local-level workshops. For local government-led SPC programmes, CSES provides impact measurement services. For nationwide SPC, CSES plans to train and transfer the measurement methodology to the government and other intermediary support organisations.

Only the additional value beyond what participants would achieve without intervention is counted, excluding any outcomes already funded by government grants or donations to ensure conservatism and avoid overestimation. This method helps show that the benefits or profits are genuinely additional, validated by CSES, rather than something that would have occurred without the intervention. After conducting workshops at the regional cohort level, CSES tailors the metrics for each enterprise during a one-year practice phase.

The success of SPC and government buy-in has been propelled by a strong commitment to evidence generation, through annual participant surveys and quasi-experimental cohort studies.

Lessons Learned

| Pitfalls to avoid | Success factors |
|--|---|
| <ul style="list-style-type: none"> • Reducing the potential for incentive distortions is critical (e.g. bias towards quantitative rather than qualitative targets, easier to measure objectives) • Good measurement systems balance the breadth (the number of beneficiaries), depth (the degree of change experienced by beneficiaries), and length (expected duration for the solution to be effective) of social outcomes. • Early-stage social enterprises face barriers to participation. Since the SPC incentives are paid in proportion to the social performance achieved in the previous year, enterprises must have already achieved a certain level of social performance to receive the incentives. | <ul style="list-style-type: none"> • SPC incentivises performance by providing cash payments proportional to verified social outcomes, fostering a market-based approach to impact investing. • SPC has increased social entrepreneurs' acceptance of impact measurement and demonstrated its relevance for the sector. • SPC measurement helps social enterprises improve their social performance and their social business models. • Social enterprises can use impact reports based on SPC measurements to demonstrate their actual social performance, helping them secure larger investments. • SPC significantly increased the body of empirical data and knowledge on social enterprise, improving its visibility and credibility. |

Sources:

Interview with GAYOUNG IMM, associate principal researcher at CSES

Stanford Social Innovation Review / Fall 2024 [A Pioneering Pay-for-Success Social Impact Experiment in Korea](#) by Hyun Shin, Gayoung Imm, Myung Eun Jeong, Hyun-Joong Kim & Haeun Kim

[Innovative Finance: Social Progress Credits](#)