

GOVERNMENT ANNOUNCES PLANS TO PROVIDE TARGETED SUPPORT TO 1,000 INNOVATIVE FIRMS

The government announced its plans to designate a thousand innovative firms over the next three years and provide targeted financial support at the 12th Meeting of the Central Economic Response Headquarters held on July 30.

BACKGROUND

With the 4th industrial revolution and a protracted pandemic situation, rapid changes are taking place in different industries, including the rapid development of ‘untact’ services and digital transformation. In order to provide sufficient financial support to facilitate the growth of more innovative businesses, close cooperation is essential between the financial sector and different industries. It is also important to establish a cooperative framework through which sufficient investments from both the public and private sectors are made available to innovative firms.

Against this backdrop, the government has drawn up plans to more systematically provide financial support to innovative businesses by promoting close cooperation between the financial sector and enterprises.

KEY MEASURES

I. SELECT 1,000 INNOVATIVE FIRMS IN DIVERSE INDUSTRIES

The government aims to select one thousand innovative firms throughout different industries, such as the digital and green new deal industries, future car, bio health, system semiconductor, materials, parts and equipment industries, as well as those planning to transform their businesses fit for new industries and those that are reshoring back to the country.

So far, 32 innovative firms have been selected with the goal of designating 200 business entities by the end of this year. The government plans to select 200-plus innovative firms in every six-month period until the end of 2022.

II. PROVIDE FINANCIAL SUPPORT TO SELECTED FIRMS

For those selected as ‘innovative businesses,’ the government will work to provide financial support even for those with less favorable financial records, based on their innovativeness and technological prowess.

Diverse financial support programs will be made available depending on financing needs of individual firms.

- Expand the current cap on business loans and guarantees¹
- Exemption of industry-specific credit exposure levels currently in place at the KDB
- Provide preferential interest rates² depending on innovativeness and technological prowess of individual firms

For those with less favorable financial records and/or low credit records, consulting support will be provided to help them with business and financial management and to provide assistance with overseas expansion, etc.

III. PROMOTE PRIVATE SECTOR INVESTMENT

The government will work to promote more investment from the private sector to facilitate the growth of innovative firms. In particular, for those with significant growth potential of turning into global unicorns, the government will work to provide diverse opportunities to attract private sector investment through domestic and overseas venture capital networks and investor relations events.

EXPECTATION AND FURTHER PLANS

The government's efforts to provide targeted financial support to selected businesses in different industries are expected to speed up technological innovation and boost further growth of these industries. With more fiscal resources made available through the government's new deal initiative, the measures will also contribute to making further improvements to Korea's economic structure.

The government will work on the designation of one thousand innovative firms over the next three years through close inter-ministerial cooperation while ensuring prompt provision of financial support to the selected firms. In addition, the government will continue to work on improvements by closely monitoring financing needs and taking into account opinions of business entities.

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

¹ (KDB) from the current KRW200 billion in facility capital and KRW50 billion in working capital investment to removal of lending caps

(KEXIM) from the current 50%~90% of exports to up to 100% of exports

(KODIT) from the current KRW3 billion limit to KRW15 billion in guarantees

² (KDB) up to 0.7%p, (KEXIM) 0.5%p~1.0%p