

Review of Support for Small Businesses and SMEs by Cities and Provinces in Response to the COVID-19 Pandemic



As the COVID-19 outbreak is becoming protracted, small businesses and SMEs are facing an economic crisis. Every local government from Seoul Metropolitan City to Jeju Province have decided to support these vulnerable businesses.

01 Seoul Metropolitan City

• Employment retention support for small businesses with five employees or less affected by COVID-19

Seoul Metropolitan City provides employment retention support for small businesses with five employees or less. The support is given to employees of small businesses currently forced into a leave of absence, in sectors hit particularly hard by the coronavirus and IT startups. They will receive KRW 25,000 per day of missed work for up to 40 days totaling up to KRW 500,000 a month for two months.

• Support for firms that suffered from confirmed cases

Small businesses and merchants whose business places were visited by those with confirmed cases of COVID-19 receive support for personnel expenses and rental fees for the period of suspended business (up to five days).

• Emergency business funds support for firms hit by COVID-19

Firms hit by COVID-19 can receive emergency business funds that are comprised of SME support funds and commercial bank cooperative funds. Details are in Table 1 below.

<Table 1> Emergency business funds to firms hit by COVID-19

Category	Firms hit by confirmed cases	Firms hit directly	Firms hit indirectly
SME support fund	1%(fixed interest rate)	1.5% (fixed interest rate)	1.8%(fixed interest rate)
Commercial bank cooperative funds	Subsidy of 2% * customer pays 0.72%	Subsidy of 1.6% * customer pays 1.12 1.42%	Subsidy of 1.3% * customer pays 1.42 1.72%
Guarantee fee	0.5%	0.5%	0.8%
Guarantee coverage	100%	100% for up to KRW 30 million, 95% for over KRW 30 million	

* Interest rate for the commercial bank cooperative funds are based on variable 91-day CD rates. The above rates payable by firms are based on the CD rate as of March 17, 2020 (1.02%).

119 emergency funds support for Seoul-type neighborhood shops

Small businesses with annual sales of less than KRW 200 million in the preceding year, located in Seoul for at least six months are eligible for 119 emergency fund support up to KRW 20 million.

Reducing financial costs for small businesses using loans with high-interest rates

Small businesses with loans having an interest rate of over 15% due to a low credit standing can switch to loans with a lower rate (2.3%) up to KRW 20 million per firm. However, the support is only provided for loans that were extended at least three months ago at the time receiving the support.

Rent support for small businesses using commercial properties owned by institutions related to Seoul Metropolitan City

Small businesses renting commercial properties owned by Seoul city's affiliated institutions receive a subsidy of up to 50% of the rental fee and an extension of the due dates for payment as well as a waiver for maintenance costs for six months.

Expansion of support for small business disinfection

Seoul Metropolitan Government is providing traditional markets with portable sterilization equipment and disinfectants, and lending disinfection equipment to vulnerable small businesses free of charge through community service centers.

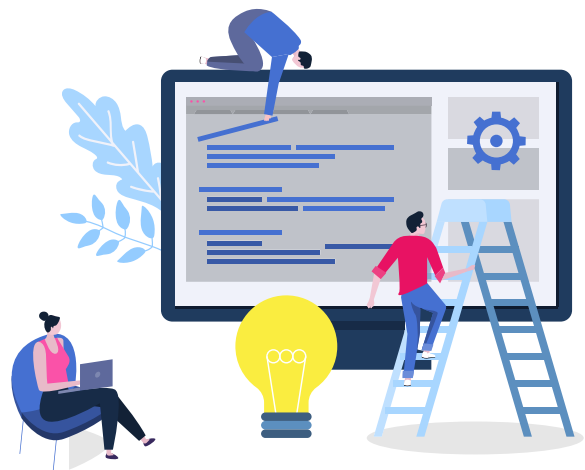
02 Busan Metropolitan City

Three countermeasures to lessen the burden of small businesses hit by COVID-19

First, rental fees at 3,775 locations of public organizations within the city in Busan will be reduced by 50% for three months. Second, self-employed residents and small businesses will be supported through Yellow Umbrella Mutual Aid, and receive a waiver of employment insurance and industrial accident insurance contributions as well as the cost of delivery service drivers and call center staff at traditional markets. Third, stores that were directly affected, as they are within the paths of confirmed patients, will receive KRW 1 million per store.

Emergency livelihood support for small businesses and self-employed

About 186,000 small businesses with annual sales being less than KRW 300 million will receive KRW 1 million per firm as emergency living expense aid. Applications will be accepted and screened by district or county of the small businesses for two months from April 6, 2020.



03 Daegu Metropolitan City

• Providing survival funds for small businesses

Financial support will be provided to small businesses that suffered a decline in sales by at least 10% due to COVID-19, excluding business sectors such as those related to gambling and entertainment, and those that promote extravagance and speculation. Each entrepreneur will receive KRW 1 million in cash. The application can be filed online or in person.

Online applications can be submitted from April 13 to May 15, on a rotation basis based on the end figure of the date of birth of CEOs, on the website of Daegu City Livelihood Fund Application System (<http://sbiz.daegu.go.kr>), or the websites of the city, district, and county.

Applications to merchants' associations, occupational associations, and the Korea Industrial Complex Corporation will be accepted from April 13 to May 15. Applications to community service centers can be submitted from April 20 to May 15 using the two-day rotation system.

Required documents include an application form and documents proving the loss of sales from COVID-19 (card sale slips, etc.). Payments will be made from April 20 to May 20. Appeals can be sent via the online application system or with the Small Business Support Team of relevant districts and counties from April 20 to May 20.

• Emergency business stabilization fund support

For firms whose sales or revenue fell by more than 10% amid the COVID-19 outbreak, an additional interest reduction of 0.4% for loans will be granted. Currently, the subsidized interest rate is 2.2% for loans being less than KRW 50 million for a one-year term and 1.7% for loans over KRW 50 million. The emergency business stabilization fund is KRW 100 billion, and each small business will receive KRW 100 million.

Support for good landlords who reduced rents

Reduced rents will be offered for small businesses using public properties. During the period of these properties that are not in use, the entire rental fee will be waived or the rental period will be extended, and during the period when being in use, rental fees will be discounted by 80% for six months. Moreover, 441 facilities of the 14 institutions sponsored or funded by Daegu Metropolitan City will join the rent reduction campaign. Good landlords that lower rents will be compensated for 50% of the rent reduction in the form of reduced national taxes (income tax, corporate tax) and a 10% reduction in the property tax paid by the landlord.

04 Incheon Metropolitan City

• Support for workers in a forced leave of absence at workplaces with 50 or fewer employees

A grant of up to KRW 500,000 will be offered to workers on a leave of absence at workplaces with 50 or fewer employees. The grant will be paid to an Incheon e-Eum card, and applications can be filed with relevant districts or counties via email or in person. Email applications will be accepted from April 10 to May 1 and applications in person from April 20 to May 1.

Persons not eligible for this support include: recipients of employment retention support grants, family care allowance from the Ministry of Employment and Labor, and unemployment benefits, those who are hospitalized or quarantined for at least 14 days due to COVID-19 as per the Infectious Disease and Control and Prevention Act, recipients of emergency welfare support grants from Ministry of Health and Welfare, and spouses and cousins (relatives by blood or marriage) of the president of business.

05 Gwangju Metropolitan City

- **Providing the entire amount of employment retention support, the first local government to do so in Korea**

The employment retention support will be offered from April 1 to June 30 (three months) to about 17,000 small and medium-sized workplaces, excluding large scale businesses with over 300 employees.

<Table 2> Details of employment retention support funds

Category		General sectors	Sectors for special employment support
Employment retention grant	National government budget	Enterprises Eligible for Preferential Support: 90% Large corporations: 1/2-2/3	Enterprises Eligible for Preferential Support: 90% Large corporations: 2/3-3/4
	Support limit	KRW 66,000 per day	KRW 70,000 per day (large corporation: KRW 66,000)
	Employers	Enterprises Eligible for Preferential Support” should bear 10% of the grant	
	Municipal budget	↳ Entire amount is borne by employers (10%)	

Business sectors subject to special employment support include travel, tourist accommodations, tourist transport, and arts and cultural performance. Beneficiaries will be limited to 50 employees per employer due to limited financial resources and the priority will be placed on disadvantaged firms.

The Gwangju Metropolitan Government will support the entire amount payable by employers using a budget of KRW 10 billion. Employers can submit applications to the Office of Employment and Labor. Upon the decision to offer grant by the Office of Employment and Labor, Gwangju Metropolitan City pay the portion of the grant to employers.

- **Implementation of policy of “no collateral, no guarantee, no interest” for small business impacted by the coronavirus**

The Gwangju Metropolitan Government will support interest and fees for special loans extended to small businesses affected by COVID-19 for one year. For a loan of up to KRW 70 million, a small business owner can receive up to KRW 2.59 million.

- **Implementation of three major measures for citizens such as freeze of public utility charges**

All public utility charges and facility user fees (six charges levied by the city government; three bills levied by districts) will be frozen. In addition, rental fees for public properties and facilities for public institutions under Gwangju City will be reduced. Rent for municipal public facilities will be lowered from 5% to 1% and rent for 154 facilities of public institutions will be cut by 50% for six months. Furthermore, property taxes for good landlords and landlord institutions that offer reduced rents will be reduced by 10% to 50%, depending on the rate of the rent reduction.

06 Daejeon Metropolitan City

- **Prompt support for small businesses’ public utility charges and social insurance contributions**

The city supports public charges and social insurance contributions to reduce the management burden and the swift recovery of small businesses hit hard by COVID-19. The support will be for small businesses having a place of business in the city and the support will cover the entire amount of public utility charges and health insurance contribution (KRW 100,000) per employee. Applications will be accepted from April 1 through June 30 (three months.)

07 Ulsan Metropolitan City

- **Expansion of discount rate and issue volume of Ulsan Pay**

As part of efforts to promote small businesses and reinvigorate the sluggish local economy due to the coronavirus, the discount rate of Ulsan Pay will be raised from 5% to 10% for a limited period from March through June. In addition, the scale of Ulsan Pay issue will be lifted by paying a certain portion of the Youth Happiness Fund (KRW 1,000,000 per person) through the Ulsan Pay, thereby assisting small businesses.

- **Reduction of rental charges of public properties**

Rent for public properties owned by the city will be reduced for small businesses. Rents will be adjusted from currently 5% of the value of the properties as low as 1% of the value. After a review of the damage to the business due to COVID-19, the size of the reduction will be determined by the public properties' council.

08 Sejong Special Self-Governing City

- **Compensation for damage due to the path of movement of confirmed cases**

Restaurants and cafes that suffered damage due to the disclosure of the path of confirmed patients will receive KRW 1,000,000 per store. Stores that received KRW 1,000,000 will also receive KRW 2,000,000 from the national government budget. Stores that do not receive any support will receive up to KRW 3,000,000 from the city. "COVID-19 Safe Facility" stickers will be attached to those stores.

- **Business stabilization fund for small businesses and SMEs**

The entire amount of the business stabilization fund for small businesses (KRW 15 billion) will be paid out during the first half of this year, and during the second half, an additional KRW 6 billion will be dispensed (total: KRW 21 billion). In addition, for the convenience of beneficiaries, the credit guarantee business that was handled by the Gongju and Cheonan branches of Chungnam Credit Guarantee Fund Foundation will be processed by branches of Nonghyup Bank and Hana Bank. KRW 10 billion will be added to the business stabilization fund for SMEs (total: KRW 22 billion) as well.

Each of the small businesses that are registered in the city with annual sales of less than KRW 300 million will receive KRW 500,000. Businesses related to gambling and unhealthy entertainment, etc. are excluded.

- **Support of businesses joining the social distancing campaign**

Support will be provided to karaoke stores, sports facilities, and private academies that have joined the social distancing campaign for more than seven days. Support for utility bills leased property maintenance fees, and other costs necessary for reopening will be provided in the form of reimbursement. Each business that filed an application from March 22 to April 5 (or April 19) will receive KRW 500,000.

09 Gyeonggi-do

- **Social value venture fund (special loan for social enterprises)**

Social enterprises hit by COVID-19 will receive prompt financial support. The funds of support loans total KRW 14 billion, which includes KRW 10 billion granted by the first revised supplemented budget. The upper limit of the special loan per company is KRW 300 million. The loans will carry an interest rate of 3.0% without collateral and 2.5% with collateral. An interest rate subsidized at 2.0% is offered.

- **Provision of financial support through the collaboration of financial institutions**

Gyeonggi-do secured financial resources for social enterprises through the signing of a business agreement with Credit Guarantee Fund Foundation and Shinhan Bank. The size of funds for the loan will be KRW 6 billion, and loans will be extended through Shinhan Bank and Gyeonggi-do as co-lenders. Each social enterprise will receive a loan of KRW 300 million. The Gyeonggi-do government provides interest rate subsidized at 2.5%, 100% guaranteed by Credit Guarantee Fund Foundation, and 0.3% - 0.5% fees are payable to Shinhan Bank.

- **Earlier payment of Gyeonggi-do youth basic income for the second quarter**

The youth basic income for the second quarter will be paid earlier than its original payment schedule to help youth and small businesses affected by COVID-19. The application period for the second quarter was originally from June 1 to June 30, but was advanced to the period from April 16 to April 27, 2020. The support is provided to young adults aged 24 and younger who have continuously resided in Gyeonggi-do for at least three years, or a sum of 10 years of intermittent residence periods. The basic income (KRW 250,000) per person will be paid out in Gyeonggi-do local currency, electronic, cards, or mobile payment instruments. The budget allocated for the support is KRW 75 billion for the first and second quarters. Payment for the first quarter will be made on April 17.

10 Gangwon-do

- **Gangwon Self Clean Shop**

From March 24 to May 31, the provincial government will provide hand sanitizer and disinfectants for small businesses in sectors of food services and accommodations, such as hotels and condominiums to allow stores to keep hand sanitizer and conduct disinfection every day.

11 Chungcheongbuk-do

- **Support of business stabilization fund for small businesses and SMEs hit hard by COVID-19**

Chungcheongbuk-do is implementing various measures such as loans and interest rate subsidies in order to minimize the damage inflicted on small businesses and SMEs in the province. The provincial government will provide interest rate subsidies for loans up to KRW 50 million for small businesses having 10 or fewer employees engaged in sectors likely to have been impacted by COVID-19. SMEs hit by the coronavirus engaged in sectors including manufacturing, knowledge industry service, wastes disposal, raw material recycling, and transport, loans for the purchase of raw materials, and marketing will be provided. Each company will receive a loan of up to KRW 500 million with a subsidized interest rate of 2% for two years.

- **Reduction of rents for companies residing in the business incubation center**

A monthly rent reduction of 20% to 30% will be offered from March through August 2020, for 100 startup companies residing in the province's business incubation centers in Chungbuk Health & Science University, Chungbuk National University, and welfare centers for persons with disabilities.

- **Supporting export companies**

Chungcheongbuk-do is implementing various supportive measures to ensure exporting firms continue to operate and improve their competitive edge. First, the province will pay part of the costs (80%) that are incurred obtaining and renewing technological certifications overseas. Second, it will also support part of the costs of securing intellectual property rights related to patents, trademarks, and designs, which are essential for exports.

Furthermore, in order to help export-oriented firms overcome difficulties in overseas marketing due to the coronavirus, the provincial government provides support for the preparation of product brochures and translations to avoid interruptions in marketing and exports.

12 Chungcheongnam-do

- **Provision of emergency livelihood stabilization funds related to COVID-19**

Emergency livelihood stabilization funds will be provided to about 150,000 small businesses, transportation companies, and those in low-income brackets. KRW 1 million per household (company) will be paid out during April 2020. Payment will be made in the form of cash, local currency, or check cards, and then the payment instrument will be determined voluntarily by cities and counties. Basic living allowance recipients or others who are supported according to other laws as well as small businesses without licenses (street vendors and businesses without business registration, etc.) will be excluded.

13 Jeollabuk-do

- **Supporting public utility charges and card payment fees for small businesses**

In order to relieve economic difficulties of small businesses suffering from the protracted COVID-19 crisis, the province supports public utility charges (KRW 200,000 a month) for small businesses with annual sales being less than KRW 200 million, and card payment fees (0.8% of sales by card for the previous year, up to KRW 500,000) for small businesses with annual sales under KRW 300 million.

14 Jeollanam-do

- **Emergency business stabilization funds for SMEs and small businesses**

The province supports SMEs and small businesses through emergency business stabilization funds, special guarantees, and the postponement of redemption of tourism promotion funds.

15 Gyeongsangbuk-do

- **Special loans worth KRW 1 trillion with a 0% interest rate**

The provincial government will support small businesses by paying the interest of loans up to 3% and credit guarantee fees of 0.8%. A firm can receive a loan of up to KRW 50 million and preferential firms can receive KRW 70 million.

- **Supporting card payment fees**

The provincial government will support card payment fees of 0.8% of sales (up to KRW 500,000) for small businesses whose sales via cards are less than a certain amount.

- **Gyeongbuk Grand Sale**

Gyeongsangbuk-do offered nine programs under the Gyeongbuk Grand Sale.

First, local gift certificates will be sold at a discount and the issue volume will be expanded. The current discount rate of 5-8% will be raised to 10% and the issue limit will rise from KRW 300 billion to KRW 540 billion. Second, support will be provided to online platforms that sell the best products of the province. Posting products of SMEs and small businesses on the online platforms will be supported and sales and marketing promotions via YouTube and social network services will be assisted.

Third, Happy Delivery Service will support traditional markets with shopping and delivery services and lower delivery costs. Fourth, outstanding core stores will be promoted through events and festivals, and will be supported in joint marketing and the publishing of promotional materials on YouTube. Fifth, promotions for 50 to 70 social enterprises through special discount rates will be conducted. Sixth, support will be provided for the online marketing of SMEs affected by COVID-19 and for new merchants entering home shopping channels by negotiating broadcasting and marketing charges with television shopping channels.

Seventh, under the “Welcome Traditional Market Visit” program, bus rental and insurance fees for visitors to traditional markets will be supported thereby connecting traditional markets and local tourist destinations. Eighth, as a project for small business happiness, “core shops” will be selected and shopping district neighborhoods will be renovated, and “star shops” will be designated to promote their business using broadcast media. Ninth, as a project to cultivate merchants, facilities used by young merchants will be repaired, consulting will be provided, and club activities of shopkeepers will be supported.

- **Reducing rent of equipment and facilities of R&D institutions council**

Fees for the use of equipment and facilities of Gyeongbuk R&D Institutions Council (18 institutions) will be reduced for a specified period of March and April, to support the technological development of SMEs and to provide free consulting by utilizing human and physical resources of research institutions, and to provide technological development consulting to them.

16 Gyeongsangnam-do

- **Gyeongsangnam-do government employees labor union delivers the donation of Happiness 1004 Campaign to small businesses**

The labor union donated 55,000 masks worth KRW 6 million to help small businesses affected by a plunge in sales due to the coronavirus. In addition, the labor union and government employees conducted the Happiness 1004 Campaign to assist small businesses, by deducting KRW 1,004 from their salary to support small businesses and the self-employed in the province.

- **Project to support small business to make a comeback**

The provincial government is offering small businesses that are closing or expect to close consultations regarding business closure, subsidies for the cost of store demolition, and instructions for business recovery.

- **Messures for intensive support of small businesses**

Besides increasing the issuances of local gift certificates, the province introduces payback service to consumers, up to 5% (up to KRW 50,000) when using Zero Pay. In addition, it also increases the grant for new members of the Yellow Umbrella Mutual Aid Fund from KRW 10,000 to KRW 20,000 per month and provides administrative support for rent discount campaign.

17 Jeju Special Self-governing Province

- **Expansion of special business safety funds**

An additional KRW 200 billion will be added to the Special Business Stabilization Fund (currently KRW 700 billion) to provide loan support to firms in 41 business sectors specified by the Fund. An eligible firm can receive a loan of up to KRW 100 million per year. Applications will be accepted from February 17 until May 29.

- **Expansion of special guarantee from Jeju Credit Guarantee Fund Foundation**

A special guarantee is provided to small businesses and merchants affected by COVID-19. Out of the total guarantee of KRW 100 billion a firm can receive a guarantee of up to KRW 30 million with a guaranteed rate of 0.7% (fixed). The guarantee runs up to five years. Applications are accepted from February 17 until the guarantee limit is exhausted.

- **Temporary reduction of rent for businesses residing in Jeju International Airport and the passenger terminals at ports**

Firms that pay regular rent to the Korea Airports Corporation (excluding large businesses, public organizations, and banks) are offered 25% reduced rental fees for six months from March through August 2020.