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## **Policy Systems and Measures for the Social Economy in Seoul**

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## Acronyms

<b>CLGSSE</b>	Council of Local Governments on the Social Solidarity Economy
<b>CSSF</b>	Central Self-Sufficiency Foundation
<b>FAC</b>	Framework Act on Cooperation
<b>FASE</b>	Framework Act on Social Economy
<b>FOSE</b>	Framework Ordinance on the Social Economy
<b>GRDP</b>	Gross regional domestic product
<b>KCGF</b>	Korea Credit Guarantee Fund
<b>KONEPS</b>	Korea Online e-Procurement System
<b>KoSEA</b>	Korea Social Enterprise Promotion Agency
<b>KRW</b>	Korean Won
<b>KSENET</b>	Korean Social Economy Network
<b>MOEF</b>	Ministry of Economy and Finance
<b>MOEL</b>	Ministry of Employment and Labour
<b>MOHW</b>	Ministry of Health and Welfare
<b>MOIS</b>	Ministry of the Interior and Security
<b>MOLEG</b>	Ministry of Government Legislation
<b>NBLSA</b>	National Basic Living Security Act
<b>NBLSP</b>	National Basic Living Security Programme
<b>PPPPSES</b>	Public-Private Policymaking Partnership for the Social Economy in Seoul
<b>PPS</b>	Public Procurement Service
<b>SEE</b>	Social economy enterprises
<b>SEO</b>	Social economy organizations
<b>SEPA</b>	Social Enterprise Promotion Act
<b>SME</b>	Small and medium enterprises
<b>SMG</b>	Seoul Metropolitan Government
<b>SMOE</b>	Seoul Metropolitan Office of Education
<b>SSEC</b>	Seoul Social Economy Centre
<b>SSEN</b>	Seoul Social Economy Network
<b>SVS</b>	Korea Social Value and Solidarity Foundation

## Summary

Seoul has played a leading role in the development of the social economy. It is the capital city of the Republic of Korea as well as the centre of its economic, social, and cultural activities; Seoul possesses abundant resources, relatively mature civil society capabilities, and a city government with the political will to support its social economy. In terms of the establishment of legal and institutional frameworks as well as the development of public policies, Seoul has become a good example not only for other local governments but also for its own central government for its approach to the social economy as a whole as well as to each type of social economy enterprise.

In this paper, we introduce the legal and institutional frameworks and public policies that led the growth and development of the social economy in Seoul. We examine their achievements and limitations, focusing on the essential components of policy ecosystems for the social economy enabling SEEs to thrive over time, that is, the legal and institutional frameworks for the social economy, social finance and preferential public procurement for social economy enterprises (SEEs), and education and training to foster social entrepreneurship and raise public awareness of the social economy. In doing so, we consider the essential components in relation to legal and institutional frameworks and public policies from the central government, because the former has played a role in guiding the latter, but they have also developed together.

As a result of supportive policy measures for it, the social economy has grown significantly over the past two decades in Seoul as well as in the entire country, particularly in terms of the number of SEEs, and their employment and turnover. However, fragmented support systems from different departments for different types of SEEs have been a source of ineffectiveness and inefficiency of the public policies intended to support the development of the social economy. Although they have started to become more coherent and integrated, the impact of the social economy on the national economy is still weak. Most SEEs are small, and many of them struggle to be self-reliant without government support. Developing and ensuring both autonomy and independence in the social economy sector therefore remains crucial to its sustainability.

Various public policy measures for the social economy have seen some achievements such as quantitative growth and more integrated and coherent ecosystems. However, achievements have not come without some limitations such as a distorted distribution of resources in public procurement and social finance markets.

# Introduction

The social economy has significantly grown over the past two decades in the Republic of Korea. In addition to existing social economy enterprises (eight different types of cooperatives under their own specific acts), new types of social economy enterprises (SEEs), such as general co-operatives, social enterprises, community enterprises, self-reliance enterprises and social ventures, have emerged in order to meet new social demands including job creation and social inclusion for the disadvantaged. Social services have also expanded, new solutions for unresolved social problems have emerged in society, and the number of these enterprises has significantly increased. With the emergence of these new types of SEEs, legal and institutional frameworks have been established to regulate and support them, various public policies have been designed and implemented to foster them, and support systems usually through intermediary organizations have been created to help them establish and operate. In recent years, the policy paradigm for them has shifted from direct financial support for individual enterprises to building conducive policy ecosystems in which they can continue to develop and grow. For that purpose, more coherent and integrated policy measures have been developed at different levels of government.

With abundant resources, relatively mature civil society capabilities, and the political will of its city government to support the social economy, Seoul, the capital city of the Republic of Korea as well as the centre of the economic, social, and cultural activities, has played a leading role in the development of its social economy. In terms of the establishment of legal and institutional frameworks as well as the development of public policies both for the social economy as a whole as well as for each type of SEEs, Seoul has become a good example not only for other local governments but also for its own central government.

In this paper, we introduce the legal and institutional frameworks and public policies that led the growth and development of the social economy in Seoul and examine their achievements and limitations. In order for the social economy to meet its full potential, policy makers should understand the characteristics of the social economy and build ecosystems in which SEEs can flourish. Such ecosystems consist of five main components (OECD/EU 2017):

1. legal and institutional frameworks to bring clarity, visibility and recognition by defining the nature, mission and activities of SEEs;
2. access to finance ranging from subsidies and debt instruments to equity, patient and impact investment to meet the needs of SEEs;
3. access to markets particularly through preferential public procurement for the products and services of SEEs;
4. business support structures to provide for training, coaching, or consultancy services for building capacities; and
5. education and skills to foster social entrepreneurship and develop new solutions for unresolved social challenges.

Alongside these five components, UNRISD (2019) considers research, data collection and knowledge transfer as additional important components of such ecosystems. In particular, surveys and statistics are essential for effective evidence-based policy design and implementation as well as gaining social and political recognition of the social economy which enhances the legitimacy of policy support (Bouchard and Rousselière 2015). In the process of developing and establishing those ecosystems, the cooperative partnership between social economy actors and governments is also essential, because open dialogue between them leads to more coherent and strategic approaches, allowing the social economy to realize its full potential (Mendell and Alain 2013).

Based on the project concept note developed by UNRISD (2019) and the framework by OECD/EU (2017), we examine legal and institutional frameworks and public policies in Seoul, mainly focusing on the aforementioned essential components conducive to an ecosystem enabling SEEs to thrive over time. In doing so, we consider them in relation to the legal and institutional frameworks and public policies from the central government, because the former has played a role in guiding the latter, but they have also developed in a complementary manner.

## 1 Social Economy in the Republic of Korea Today

### 1.1 Concept and scope

Practices and relations that could have been characterized as those of the social economy had existed long before the modern market system arose in the Republic of Korea. It was only toward the end of the 1990s, however, that policy makers began to use the term “social economy” to refer to a wide variety of activities aimed at social problems, such as unemployment and poverty, left unresolved by either the state or the market (UNRISD 2018). However, there is not yet a universally accepted definition of the social economy, and its exact scope remains a subject of controversy in the country.

As the purpose of this study is to explore public policy measures supporting the social economy in Seoul, we will conceptualize the social economy in reference to existing statutes.<sup>1</sup> The bill for the Framework Act on Social Economy (FASE), is a legislative draft still pending before the National Assembly and aspires to provide a comprehensive legislative basis for the entire social economy across the Republic of Korea. The FASE defines the social economy as comprising “all economic activities undertaken by social economy organizations on the basis of solidarity and cooperation among members; independent, autonomous, and democratic governance; and with the purposes of reducing polarization, promoting local economies, creating decent jobs, providing

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<sup>1</sup> This is not to imply that the concept of the social economy as used in public policies has been established without the consent of nongovernmental actors of the social economy. As will be discussed at length later, close public-private partnership has been essential to the design and execution of social economy-related policy measures at both the national level and at the level of Seoul.



social services, and promoting social integration and the common good.”<sup>2</sup> The same bill also defines a SEEs as “a business organization that pursues social values and engages in the purchase, production, distribution, and consumption of goods and services necessary to that end.” The types of SEEs enumerated in the bill include cooperatives, social enterprises, community enterprises, self-reliance enterprises, rural corporations and other such organizations. Here, “cooperatives” are defined as under the recently amended Framework Act on Cooperation (FAC) as well as cooperatives subject to eight separate statutes on cooperatives (consumer cooperatives called *Saenghyup*, agricultural cooperatives, fisheries cooperatives, forestry cooperatives, tobacco production cooperatives, credit unions, community credit cooperatives called *Saemaetulgeumgo*, and small-and-medium enterprise (SME) cooperatives).

The scope of the social economy is a subject of debate in the Republic of Korea because a significant number of cooperatives are included under eight different cooperative acts which have formulated through strong policy support and highly institutionalized state-control. They have been criticized for failing to meet basic principles of cooperatives, such as autonomy, independence, and democratic governance (Kim 2016). Nonetheless, recent policy initiatives from both national and local governments have been designed and implemented for new types of SEEs, such as general cooperatives under FAC, social enterprises, community enterprises, and self-reliance enterprises.

## 1.2 Main types of SEEs today

Here we examine the four major types of SEEs that are the main policy targets mentioned above. As of the end of 2018, it was estimated that there were 19,439 enterprises with a total number of 105,667 workers and a total turnover of KRW 6,393.7 billion which was distributed as follows:

**Table 1: The Current Status of the Four Major Types of SEEs in the Republic of Korea (2018)**

Type	Number of entities	Number of workers	Total turnover (KRW billion)
Co-operatives	14,550	30,035	1,904.9
Social enterprises	2,123	45,522	4,122.6
Community enterprises	1,555	19,261	164.5
Self-reliance enterprises	1,211	10,849	201.7
Total	19,439	105,667	6,393.7

Source: Interdepartmental Report of the Government of Republic of Korea. 2019.

<sup>2</sup> Four bills for the FASE have been devised in the Republic of Korea so far, and under review by the competent standing committees of the national legislature (National Assembly). The bill quoted herein is the latest of those four bills. There are no major differences among the bills in the basic structure or framework. The latest bill also most keenly reflects what has been discussed at the committees so far and the government’s preferences.

### 1.2.1 Cooperatives

Today, cooperatives constitute the largest share of the Korean social economy. As already mentioned, cooperatives are categorized differently under different statutes, including the FAC of 2012 and eight other statutes. The FAC has drastically eased the establishment of cooperatives, allowing any group of five or more members to establish and operate a cooperative in all industries except for finance and insurances; irrespective of the amount of initial capital they are able to invest. As a result, workers' cooperatives, multiple-stakeholder cooperatives and social cooperatives have cropped up, in addition to producers and consumers' cooperatives that had already existed under special statutes.<sup>3</sup>

Workers' cooperatives in the Republic of Korea, however, date back to the 1920s. Even before the FAC was enacted, a small number of worker-owned or managed enterprises, effectively served as workers' cooperatives (Shin 2016).<sup>4</sup> The enactment of the FAC, however, gave these few enterprises and cooperatives legal recognition and grounds for support. Among the new types of SEE to have been established by the act; multiple-stakeholder cooperatives usually draw members from diverse backgrounds and with diverse interests. Social cooperatives, the most recent type to emerge, refer to non-profit organizations that promote the rights and welfare needs of locals by undertaking business activities and providing them with services and jobs.

### 1.2.2 Social enterprises

Social enterprises refer to organizations that have been created under the Social Enterprise Promotion Act (SEPA), enacted and effectuated in 2007. The statute defines a social enterprise as an enterprise “that pursues a social objective aimed at enhancing the quality of life of community residents by providing vulnerable social groups with social services or job opportunities or by contributing to the communities while conducting its business activities, such as the manufacturing or sale of goods and services.” Depending on the main objective or focus of their activities, these enterprises can be divided into three types: those providing jobs or services for the disadvantaged; those supporting local communities; and those developing creative, innovative solutions to local problems (Ministry of Employment and Labour [MOEL] 2019).

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<sup>3</sup> As mentioned above, co-operatives make up the largest share of the Korean social economy in terms of number of entities and workers as well as in terms of total turnover. When it comes to the cooperatives under FAC, however, they have the largest share of the four major types of SEEs in terms of the number of entities, but they have the smallest share of them in terms of the number of workers and the total turnover per one entity, probably because of the weak membership base and business models.

<sup>4</sup> Workers' cooperatives organized voluntarily in the Japanese colonial period had been dismantled by Japanese imperialism, but have re-emerged in 1990s. At this time, there were two trends to organize workers' cooperatives, one based on the labour movement in which trade unions took over bankrupt companies and managed them in a cooperative way, and the other based on the movement to organize poor and marginalized people in poor urban neighbourhoods to form self-reliance communities. Those trends were not very successful but provided the basis for the development of social enterprises and self-reliance enterprises recently (Shin 2016).

In order to qualify and obtain certification accordingly, a social enterprise must meet a set of criteria. First, it must adopt the form of an organization as prescribed by Presidential Decree, such as a corporation, an association, or a non-profit organization. Second, it must hire paid workers for its business activities, such as the production and distribution of goods and services. It must pursue social objectives and feature a decision-making process open to the participation of diverse stakeholders and generate operating income that is at least 50 percent of what it spends as the labour cost and expenses. At least two-thirds of generated profits must be spent on social objectives in the same given fiscal year. Finally, the enterprise must have bylaws or an equivalent that defines its objectives and business activities, decision-making structures and processes, and a policy on the distribution and reinvestment of gains (Korea Social Enterprise Promotion Agency [KoSEA] 2019a). The criteria for certification imposed under the SEPA, however, have been criticized for being too stringent and for neglecting various types of enterprises whose main goals are other than creating jobs for the disadvantaged. Attempts are thus being made to broaden the scope of social enterprises and relax the criteria for certification.

### 1.2.3 *Community enterprises*

Community enterprises are legally based on the Urban Regeneration and Assistance Act of 2013, which defines community enterprises as “a company operated by local residents or organizations to improve living environment, revitalize local community, and create income and jobs by utilizing various resources, such as manpower, native habitat, culture, and natural resources, etc. of the relevant area.” To qualify as a community enterprise, an organization must be *community-oriented*, serve *public needs*, maintain sufficient *business* activities, and allow *locals to participate*. In other words the process of founding a company must be led by the community and they must also decide on matters regarding its establishment and operation (community orientation). The company must strive to solve local problems, contribute to the local community, and seek mutual benefits with the community (public needs). It must have a structure capable of generating stable and sufficient revenue so that it may continue to operate even after subsidies end (business). And it must be open to participation of residents in the given community and their resources (locality) (Ministry of the Interior and Safety [MOIS] 2019).

### 1.2.4 *Self-reliance Enterprises*

The Asian Financial Crisis of the late 1990s wreaked havoc on the Korean economy, leading to massive layoffs, soaring unemployment and high poverty rates. It also led to the enactment of the National Basic Living Security Act (NBLSA), with the aim of ensuring a minimum living wage for everyone irrespective of their ability to work. The Act also supported the creation of jobs by governmental actors, accumulation of assets, and job-seeking and entrepreneurial efforts of the working poor under a series of self-reliance policy programmes (Ministry of Health and Welfare [MOHW] 2017). Self-reliance enterprises are companies that are run by beneficiaries of the

National Basic Living Security Programme (NBLSP) and members of the near-poverty group participating in the Self-reliance Working Groups of local self-reliance centres.<sup>5</sup>

Being recognized as a self-reliance enterprise entitles an organization to policy subsidies, including those for start-up and labour costs and expenses. In order to qualify, NBLSP recipients and near-poor individuals must make up at least one third of its members (and NBLSP recipients, at least one fifth). The organization must also be able to pay the minimum wage to all participants. In order to benefit from wage subsidies, NBLSP recipients working temporarily at the organization must work a certain number of days. Autonomy is a key principle for these enterprises, but the local self-reliance centre and other governmental/public agencies can actively help them with business planning, management training, and so forth until they become stable (MOHW 2019).

### 1.2.5 SEEs in Seoul today

Seoul, the capital city of the Republic of Korea is home to 9.75 million people or nearly 20 percent of the nation's population; it is the centre of the economy, society, culture and a thriving social economy. As of December 2019, Seoul was home to 22.9 percent of FAC-defined cooperatives (Seoul Coop Support Centre 2020), as well as 18.9 percent of all social enterprises (Lifein 2019), and as of June 2019 it has also been home to 6.0 percent of all community enterprises (Lifein 2019), and 11.9 percent of self-reliance enterprises as of February 2016 (Central Self-Sufficiency Foundation [CSSF] 2017).

The number of SEEs in Seoul has been growing by 550 a year on average, multiplying from 718 in 2011 to 4,412 in February 2019. Of these, 3,505 were cooperatives (with 47,195 members and capital of KRW 50.4 billion in total)<sup>6</sup>, 657 were social enterprises (376 certified ones and 281 pre-certification ones), 104 were community enterprises, and 146 were self-reliance enterprises (Seoul Metropolitan Government [SMG] 2019b). As of the end of 2016, the social economy in Seoul accounted for 0.5 percent of the gross regional domestic product (GRDP) and 0.5 percent of all region-wide employment, and the contribution has been rising since. In 2016, the social economy in Seoul generated KRW 1.96 trillion in aggregate revenue and provided jobs for 19,800 people in total; 25 percent and 14 percent up from the previous year, respectively. At the same time, average revenue per enterprise amounted to KRW 875 million and the number of jobs per enterprise was 8.8 (Seoul Social Economy Centre [SSEC] 2017a).

## 1.3 Legal frameworks

There are statutory provisions defining, and laying down legal grounds of support for, SEEs in the Republic of Korea. To some extent, these statutes represent official recognition of SEEs that had been cropping up and growing spontaneously in the country. At the same time, they are also tools

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<sup>5</sup> Pursuant to the NBLSA, self-reliance work projects of the central government seek to enable low-income households to become self-sufficient by providing them with opportunities to work. Nearly 40,000 eligible persons participate in 2,400 or so such projects every year (MOHW 2019).

<sup>6</sup> USD 1 = KRW 1,120 approx. (February 2019)

with which the state seeks to regulate SEEs and use them as instruments to achieve certain policy ends. The presence of such laws subjects SEEs to legal regulations, but also gives them the social and political recognition they need as economic actors, thus affording them easier access to the general market, public procurement, social and mainstream finance as well as policy support. Such a legal framework is therefore essential to support the continued growth of the social economy.

### *1.3.1 National attempts at legislative innovations for the social economy*

There is, however, not yet a single statute that encompasses the entire social economy in the Republic of Korea. Numerous statutes have been introduced for different types of SEEs, leaving them to the control and support of government different agencies. Different types of SEEs require different forms of support; as such, the multiplication of statutes targeting them has led to overlapping support for some types and neglect for others. In order to ensure the efficiency of policy support for the social economy, it is therefore necessary, as pointed out by others, to introduce a statute with a comprehensive scope addressing all the different types of SEEs.

Since 2013, political parties have motioned various bills for the FASE with a comprehensive scope. Their aim was to introduce legal and policy grounds for integrating and streamlining policy support, currently provided by disparate agencies, into a single channel to more efficiently foster the ecosystem for the social economy nationwide. The bills for the FASE have since given rise to bills for other related laws, such as the bill for the Special Act on Public Purchases and Marketing Support for Products from SEEs in 2014 and the two bills for the Framework Act on the Realization of Social Values by the Public Sector were also proposed in 2014. The former states its objective as follows: “To promote the purchase of, and provide marketing support for, products of social economy enterprises so as to realize social values through public procurement, and to promote the spread and growth of those organizations and encourage their innovation toward solving social problems.” On the other hand, the stated purpose of the latter is to pronounce “the realization of social values” as “the central operating principle of the public sector, and thereby significantly enhance the public orientation of the Korean society as a whole by fostering social values through policy making, implementation and evaluation by public organizations” (Ministry of Government Legislation [MOLEG] 2018).

These bills are significant for the whole social economy. The current central government, whose agenda on high-priority policy issues includes the fostering of the social economy, has been working toward the legislation of these bills. Yet these bills are still pending, mainly due to obstruction by the main opposition party.

### *1.3.2 Municipal ordinances on the social economy in Seoul*

Before any of these bills were motioned at the National Assembly, a series of legal frameworks directly affecting social economy had already been established (see Table 2). Among these, the amendment of Municipal Ordinance on Fostering Social Enterprises (2009) in 2012 signaled policy change from direct support to indirect support, and the Framework Ordinance on the Social

Economy (FOSE) enacted in 2014, consolidated this policy change along with the Municipal Ordinances on Public Purchases and Marketing Support of the Products of SEEs and on Public Procurement for Realization of Social Values. The early enactment and effectuation of these laws in Seoul have inspired numerous other local governments as well as the national legislature to motion and enact similar statutes. In 2012, the SMC also enacted the Municipal Ordinance on the Creation and Administration of the Social Investment Fund, thus paving the way for shifting policy support for SEEs from direct financing for individual SSEs to indirect support via fostering ecosystems for the social economy.

The enactment of FOSE is particularly notable since it does the following:

- “establishes the idea, actors, and common principles of the social economy”;
- defines the concept of social values, and the scope and principles of Social Economy Organizations (SEO) required for “energizing the social economy in Seoul and fostering ecosystems for its sustainability”;
- requires the establishment of the Social Economy Master Plan every five years;
- establishes a public-private partnership for the creation and operation of the Social Economy Committee, tasked with deliberating upon planning and implementing social economy policy measures and plans;
- requires the designation of, and support for, special social economy zones;
- enables the creation and operation of the SSEC as the central intermediary support agency for the citywide social economy;
- requires provision of management support and facility subsidies for SEOs;
- lays down the ground for financial support and public funds;
- establishes the processes for providing training and research support;
- requires purchases of products and services from SEOs for public ends;
- provides support for the SEO associations; calls for increased participation from private companies;
- encourages international relations on the social economy;
- urges public campaigns and rewards for SEOs to raise the public awareness; and
- requires the inspection and guidance of SEOs receiving financial support.

Type-specific statutes enacted by the SMC for SEEs include the Municipal Ordinance on Fostering Social Enterprises; the Municipal Ordinance on Support for Self-Reliance Projects; the Municipal Ordinance on Support for Promotion of Cooperatives; and the Municipal Ordinance on Support for Urban Regeneration. All these Municipal ordinances have their counterparts in national statutes, sharing similar backgrounds, purposes and content.

**Table 2: Seoul's Statutes on the Social Economy**

Statute	Enacted by	Effective since
Municipal Ordinance on Fostering Social Enterprises	SMC	2009
Municipal Ordinance on Support for Self-Reliance Projects	SMC	2011
Municipal Ordinance on Support for Community-Building Activities	SMC	2012
Municipal Ordinance on Support for Urban Regeneration	SMC	2015
Municipal Ordinance on the Creation and Administration of the Social Investment Fund	SMC	2012
Municipal Ordinance on Fostering Fair Trade	SMC	2012
Municipal Ordinance on Support for Promotion of Cooperatives	SMC	2013
Municipal Ordinance on Public Purchases and Marketing Support for the Products of SEEs	SMC	2014
Framework Ordinance on the Social Economy	SMC	2014
Municipal Ordinance on Public Procurement for Realization of Social Values	SMC	2014
Ordinance on Promotion of Products from SEEs in Public Procurement	SMOE	2014
Ordinance on Fostering School Cooperatives	SMOE	2015

\*SMOE: Seoul Metropolitan Office of Education.

## **2 System of Policy Making and Support for the Social Economy**

### **2.1 National system**

#### *2.1.1 Public-private partnership for development and implementation of social economy policies*

Over the years, the central government has expanded the scope of the social economy, starting with programmes for self-reliance enterprises (MOHW in 1996) and proceeding to promoting job creation for social enterprises (MOEL in 2003), and supporting community enterprises (MOIS in 2011). This has been followed by the enactment of the FAC in 2012 (based on the bill drafted by the Ministry of Economy and Finance [MOEF]). However, there is still pressing need to establish an overarching policy framework encompassing all these. Lack of progress in efforts to enact the FASE, however, has left disparate departments and agencies to develop and implement their own policy measures for different types of SEEs. Promoting the social economy, however, is one of the 100 highly prioritized policy objectives of the current Moon Jae-in administration inaugurated in 2017. The central government has thus set out to enhance the effectiveness and efficiency of the social economy policy by promoting the creation of a coherent and integrated framework of policy support.

In order to establish effective and efficient social economic policies, the government should make sure that the various stakeholders of the social economy are actively involved in the policymaking

process. This co-construction of public policy allows the social economy to realize its potential through more coherent and strategic approaches whilst reducing information asymmetry through discussions and thereby reducing transaction costs, when implementing or adjusting policy measures. In addition, more effective and innovative policy measures can be taken by governments when a wider and more diverse range of actors are involved in the policy-making process rather than unilaterally designing or/and implementing policies (Mendell and Alain 2013).

KSENET, short for the Korean Social Economy Network, is the representative of the nongovernmental sector participating in public-private partnerships for effective governance of policy making in the social economy nationwide. KSENET, a network of various associations of SEEs, proposed key policy measures needed to boost the social economy to all the candidates running in the last presidential election. These measures included assembling a presidential committee on the social economy, speeding up the process for the enactment of the FASE, and specific measures to promote the social economy and achieve a sustainable society and economy.

The Moon administration has agreed to implement many of these proposed measures once the long-awaited FASE is enacted. Therefore, the presidential committee on the social economy will be assembled as a public-private consultative body for the development of the social economy by developing and implementing coherent and integrated social economy policies. At the moment, the Presidential Committee on Jobs (Jobs Committee) has the Social Economy Subcommittee, which is comprised of members drawn from both public service and the private sector, devising policy measures to boost the social economy on the national level, such as measures to promote social finance, develop social economy actors, and support school cooperatives (KSENET 2018).

In the process, the MOEF-centered council of interdepartmental consultation and cooperation consisting of officials from 13 departments plays an important role in coordinating and adjusting diverse policy measures for the social economy which are designed and implemented by different departments as well as the national and local governments for effective and efficient delivery of policy measures (Interdepartmental Report 2017a). MOEF has organized the department on the social economy to support the process.

### *2.1.2 Intermediary support agencies*

Established public policies are often implemented directly by relevant ministries, but mainly through intermediary support organizations. The Korea Social Enterprise Promotion Agency (KoSEA) is the leader among intermediary agencies which provide support to the social economy, in particular social enterprises and co-operatives under FAC. In addition, KoSEA acts as a central government coordinator of intermediate agencies created by the private sector. The MOEL, the main ministry responsible for the social enterprises, launched the KoSEA in 2011 under the SEPA, and has since charged the agency with various projects, including those for incubating social entrepreneurs, supporting social startups, providing management consulting and marketing



support, assessing and monitoring, and raising public awareness of the social economy.<sup>7</sup> KoSEA appoints 16 regional integrated intermediary agencies and delegates its tasks accordingly. Those regional agencies are usually associations of local social economic organizations, social economic professional organizations, and local social economic support centres created by private sectors.

## **2.2 Seoul's system**

### *2.2.1 Public-private partnership for the governance of social economy policy making*

Seoul's policy on the social economy relies on private-private partnership networks and public-private partnership for governance as its two main pillars. Since its inauguration in 2012, Mayor Park Won-soon's administration has been developing and advancing Seoul's policy on the social economy in close consultation with nongovernmental actors. The Seoul Social Economy Network (SSEN) represents the private-private SSE partnership networks in Seoul, which was established in 2012.

Its members held meetings with Mayor Park to propose the creation of a more effective system for public-private partnership for governance. The two sides agreed to the organization of Public-Private Policymaking Partnership for the Social Economy in Seoul [PPPPSES], via which they would discuss and establish basic plans and measures for the social economy policy. PPPPSES has since then continued to hold regular meetings to share updates on the initiatives of the SMG and nongovernmental actors, and jointly decide and monitor policy measures and budgets on the social economy in Seoul (SSEC 2016a and 2016b).

By strengthening public-private partnerships, the PPPPSES has been vital to the effective governance of the social economy in Seoul. As an exemplar, it has gone on to inspire the creation of the Social Economy Forum in the National Assembly and the social economy committees of political parties; encouraged candidates to present manifestos on the social economy during their campaigns for national and local elections; and foster a political environment favorable to the social economy nationwide by giving rise to the Council of Local Governments on the Social Solidarity Economy (CLGSSE). Founded with the mission of creating jobs and revitalizing local communities by promoting the social economy, the CLGSSE currently has 47 local governments across the Republic of Korea as its members, including 18 of the 25 self-governing boroughs of Seoul (SSEC 2019). Moreover, the PPPPSES led the process for preparing the Global Social Economy Forum (GSEF) and participates in its operation as one of the co-chair organizations along with the SMG. The PPPPSES continues to participate in a wide variety of other activities of international relations and exchange, spreading Seoul's model of social economy worldwide.

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<sup>7</sup> It is notable that these activities to build capacities of SSE community, in particular the youth, had been initiated by the central government, civil society organizations and private sector, albeit in fragmented manner before the establishment of KoSEA which started coordinating these activities.

### 2.2.2 *Intermediary support agencies*

The Seoul Social Economy Centre (SSEC), a leading intermediary agency of the SMG that supports SEEs, was founded in January 2013 as a public-private partnership. In the early days of Mayor Park's administration, the nongovernmental sector proposed shifting the focus of the social economy policy from providing temporary financial support for individual SEEs to fostering a sustainable ecosystem for SEEs as a conducive element to their cooperation. The SMG responded to this by adopting "Seoul Economy Growing on Inclusion and Solidarity" as its main economic policy vision and choosing to foster the ecosystem for the social economy as one of its core policy objectives. The SMG laid down the basic plan for the centre, and the PPPPSES defined its roles and status. The SMG then commissioned the Seoul Social Economy Network (SSEN), a key partner of the PPPPSES, with the task of running the new centre (SSEC 2016a).

The SSEC's tasks include recruiting and providing development support for actors of the social economy; identifying and supporting the commercialization of business models of SSEs; providing management consulting and marketing support for SSEs; fostering online and offline hubs of networking among SEEs; facilitating public procurement of products from SSEs; researching and developing policy measures for the social economy; and undertaking other projects recognized as necessary to promote the social economy (SSEC 2019).

In addition to actively supporting the creation of similar centres in self-governing boroughs and their local agendas, the centre also promotes development of local strategies for fostering the social economy as a solution to regional disparities in development. As a result, 23 of the 25 boroughs of Seoul now have their own social economy networks and centres, with the SSEC serving as the nodal centre. Furthermore, social economy collaboration clusters have been formed in 15 boroughs, with 12 boroughs also undertaking the project of developing special social economy zones (SSEZs) to bring local SEEs together to resolve local issues (SSEC 2019).

In their plan to foster the ecosystem for the city's social economy, the SMG aimed at limiting its role to a "supplementary" capacity, enabling civil society to find and develop solutions and providing support only where such civil initiatives came in short. Such a stance was deemed necessary to enhance the sustainability of the social economy. Nevertheless, the majority of related projects, including the SSEC, continue to operate within the SMG's budget. This compromises the autonomy and independence of the SSEC, and also increases the risk that a change in government might fundamentally threaten the SMG's eight-year-long policy on supporting the social economy.

## 3 Major Initiatives

SEEs generate financial gains by maintaining market operations. At the same time, they also realize social and public values by creating decent jobs, providing social services, and promoting urban regeneration in local economies. The recent policy trend has been fostering ecosystems and removing obstacles so that SEEs can perform these functions uninterrupted. Key examples of

policy measures include introducing legal provisions for official policy support; enabling social finance initiatives; according preferential treatment to SEEs in public procurement and helping them pioneer markets; supporting and enhancing the management of SSE capabilities; and providing education and training to develop competent actors for the social economy. In this section, we explore some of the leading policy initiatives launched by the central government and the SMG toward developing sustainable ecosystems for the social economy.

### 3.1 Human resource development

#### 3.1.1 Master plan of human resource development for the Social Economy

In order for the social economy to develop and continue to grow, it is necessary to train people who are active in relevant areas and bring in competent people to the sector. Given the short history of the social economy and its lack of exposure and understanding towards it in daily life, public awareness of the social economy remains low. Efforts have been made to develop human resources through education and training, to encourage social economy activities but they are still not sufficient.

In 2017, the MOEL surveyed the level of education and training provided by government agencies for the social economy and found that 114 organizations provided 321 programmes in 2017, helping to educate and train 58,683 persons in total (Table 3).

**Table 3: Numbers of Trainees by Trainee and Organization Types (2017)**

Trainee/ organization	Non- governmental	Public	Intermediar y agencies	Governmental	Unknown	Total
Students	592	1,069	1,611	5,652	220	9,144
General public	1,218	3,029	4,081	1,170	564	10,062
Aspiring entrepreneurs	1,314	4,453	10,470	408	491	17,136
SEE workers	4,762	2,466	8,894	277	555	16,954
Officials/other	0	0	3,209	2,178	0	5,387
<b>Total</b>	7,886 (13%)	11,017 (19%)	28,265 (48%)	9,685 (17%)	1,830 (3%)	58,683 (100%)

Source: Interdepartmental Report of the Government of Korea 2018a (used with permission)

As for the content, most programmes involved providing general and basic education on the social economy and/or introductory training on social entrepreneurship. The vast majority, or 82 percent, were lecture-style programmes, and only 13 percent involved hands-on practice and field trips. More participatory programmes were also required, which allowed trainees to participate and experience the social economy activities and practice skills needed to start and manage SEEs. Aspiring entrepreneurs (29 percent) and SEE workers (29 percent) made up the majority of trainees, and primary and secondary school students made up only 16 percent. There was a lack of strategy or investment necessary to ensure the sustainable growth of SEEs after their establishment through

quality education and training. The absence of a comprehensive support system also meant that much of the education and training provided for SEEs remained compartmentalized and failed to ensure continuity between programmes. Existing means of assessing and surveying the state of education and training remain limited, while there was still the need to develop infrastructure for more accessible, online, forms of education and training.

Hence, the Moon administration released the interdepartmental “Master plan of human resource development for the social economy”, as one of the policy measures for promoting the social economy, in July 2018 (Interdepartmental Report 2018a). According to this plan, the government sought to address those issues, first by increasing the number of teams benefiting from its Young Social Entrepreneurship Support Programme. The programme recruits young social entrepreneurial teams with innovative and creative business ideas and provides each with a startupfund (from KRW 10 million to KRW 50 million), a working space, and training and mentoring to help it get started. After they get started, the programme continues to support their growth into full-blown social enterprises. The programme was introduced by MOEL in 2011, which had adopted and expanded the various initiatives for fostering the future generations of social enterprises launched by the private intermediary support agencies for the social economy, including Working Together Foundation and SEED:S. It saw its scope widened in 2019, resulting in the recruitment of 800 entrepreneurial teams that year. From now on, their plan is to annually recruit and support 1,000 new teams (KoSEA 2019b)

**Table 4: Young Social Entrepreneurship Support Programme (2011-2018)**

Year	2011	2012	2013	2014	2015	2016	2017	2018	Total
Target N	320	320	320	350	400	500	500	675	3,385
Supported N	312	341	340	359	409	501	511	680	3,453
Participants (N)	1,302	1,315	1,229	1,326	1,551	1,810	1,755	2,332	12,620
N of social enterprises born	213	262	268	337	379	494	494	667	3,114

Source: KoSEA 2019b (reproduced with permission)

Second, the government planned increase support for training and education programmes so that colleges and universities could expand their specialized courses designed to develop leaders for the social economy with a focus on a strong sense of responsibility and an entrepreneurial spirit. The Social Economy Leadership Programme (SELP) is a non-degree programme that utilizes the existing educational infrastructure at universities to support students and SEE workers in becoming future leaders of the social economy. From 2013 to 2017, the policy was to host this programme at three universities each year and in 2018, this number was increased to four a year. As a result, the programme has seen a total of 613 graduands, and seven of the universities that hosted the programme have now launched degree programmes related to the social economy (KoSEA 2018a). The central government’s new plan is to increase the number of hosting universities to 20 by 2022, and reward exemplary universities by giving them opportunities to collaborate with other leading higher education institutions worldwide and providing students with the opportunity to participate in overseas exchange and training.

Third, the Moon administration plan aims to educate primary and secondary school on the social economy and practices of cooperation, by including social economy-related content on the public curriculum. Textbooks and teaching materials are to be developed and distributed so that they can supplement social studies and other related subjects. The social economy will also be featured as an essential subject when the public curriculum is revised in the future. The government will also promote the development and the creation of school cooperatives to enable student participation in the creation and management thereof and learn about the social economy in the process. As of April 2018, sixty school cooperatives have been established and operated all over the country.

### *3.1.2 Programmes for human resource development in Seoul*

The SMG also acknowledges that developing human resources for the social economy is crucial to fostering sustainable ecosystems for the social economy and ensuring its qualitative growth. In 2013, the SMG organized the Social Economy Actors Development Group by gathering diverse stakeholders, including SEE actors, education officials, researchers, SMG officials and the SSEC, and established a roadmap. As a result, The Social Economy Academy was formed with the mission of providing basic capability development and practical training necessary to start and manage SEEs. The roadmap also made plans for expanding the network between experts and trainees. For six years from 2013 to 2018, the SMG supported the development of 45 courses, the administration of 131 courses, and helped a cumulative total of 7,960 persons complete their courses. Institutions commissioned to run those courses have been encouraged to design them so that trainees could participate actively. A survey on past trainees, conducted in August 2016, revealed that 88 percent of the trainees continued to work in the social economy, and the 31 percent of the trainees that had not originally worked in the field had entered it for the first time by either landing jobs or starting their own enterprises (SSEC 2016a and 2019).

An online learning platform<sup>8</sup> was also developed to provide information on education and training courses, instructors, learning materials and classifieds on jobs available in Seoul. Such an accessible platform provides timely updates on available learning opportunities, enhances citizens' access, and helps the city save costs related to course administration.

For five years from 2012 to 2016, the SMG hosted the Wiki Seoul Project, encouraging citizens to submit creative ideas for solving social problems, and recruiting and supporting innovative actors to foster the social economy accordingly. A total of 1,949 ideas had been collected by the website<sup>9</sup>. After assessment and review, 195 ideas on diverse subjects, such as education, care services, culture and the arts, manufacturing, and environmental protection, were selected, and 195 entrepreneurial teams were recruited to translate these ideas into reality. Of the participating teams, 36.9 percent or 72 teams went on to start businesses, and 43 of those teams entered the social economy sector (SSEC 2017b).

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<sup>8</sup> <http://academy.sehub.net/>

<sup>9</sup> [wikiseoul.sehub.net](http://wikiseoul.sehub.net)

The SSEC also provides overseas exchange and training opportunities to promote the development of advanced policy measures, to strengthen international relations, and to enhance the competitiveness of Seoul's SEEs. There are two main programmes: Strategic Training and Technological Training Programmes. For the former, participants are recruited in line with predefined policy objectives pertaining to the SMG's "Strategic Tasks for the Social Economy," including innovating social services, achieving quality labour inclusion, promoting urban regeneration, and developing asset-based communities. The discoveries made by participants are spread across other SEEs in Seoul. As for the latter, participants involved in specialization-requiring industries or SEE-related issues are sent abroad to learning and research institutions providing appropriate programmes. Alternatively, overseas experts may be invited to Seoul for organized discussions and training sessions so that people in Seoul can learn from their expertise (SSEC 2018).

In cooperation with SMG, SMOE has developed and distributed textbooks on the social economy for elementary and middle school students to learn the social values pursued by the social economy and understand the future of work in an ever-changing society. SMOE also enacted the Ordinance on Fostering School Cooperatives in 2013 and established the Seoul School Cooperative Centre in 2017 to foster and support the establishment and management of school cooperatives. Due to these policy measures, the number of school cooperatives in Seoul has increased from one in 2013 to twenty-five in April 2019.

### **3.2 Social economy and public procurement**

The preferential procurement policy allows governmental organizations to accord preferences to the products and services of SMEs, R&D organizations, companies promoting environmental protection and carbon reduction, enterprises run by the disadvantaged, and so forth in public procurement. It is one of the indirect forms of support that the state provides for subjects in need of policy support by purchasing the products and services they produce, rather than directly giving them grants or subsidies. Direct forms of policy support tend to have limited lasting effect. Prioritizing disadvantaged or innovative producers, by ensuring that public organizations continue to purchase their products and services can help increase jobs for the disadvantaged groups that the state intends to benefit, such as women, persons with disabilities, and the poor. This policy also allows SEEs to reinvest the revenue they earned from public clients in their operations or local communities, thereby reinforcing the sustainability of their employment and growth structures. The central government also implements a policy of preferential procurement from social enterprises (KoSEA 2018b).<sup>10</sup>

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<sup>10</sup> Other similarly prioritized subjects in public procurement, aside from social enterprises, include SMEs, innovative companies, women's enterprises, enterprises hiring persons with disabilities, producers with severe disabilities, producers who are National Heroes or their descendants, and companies producing green goods and services (KoSEA 2018b).

### *3.2.1 The central government's policy of preferential procurement from social enterprises*

As part of the plan it announced in October 2017 for promoting the social economy, the Moon government proposed increasing channels of distribution and marketing support for SEEs. Even before the proposed change, however, heads of public organizations in the Republic of Korea were required, under the Act on Facilitation of the Purchase of SME-Manufactured Products and Support for Development of Their Markets, to prioritize the purchases of products and services from SMEs and social enterprises. The law also required them to report their spending budgets on such purchases in a given fiscal year to the Minister of Employment and Labour by February the following year. The Minister was also required by the law to compile these purchase records and publish them on the MOEL's website by 30 April.

Pursuant to the Act, 841 public organizations are required to report on their purchases in 2018 and submit their purchase-plans in 2019. These include 53 agencies of the national government, 260 local governments, 338 public organizations (public enterprises and semi-public or governmental institutions), 151 local public enterprises, 34 local public hospitals, and six special-purpose corporations (the National Agricultural Cooperative Federation, the National Federation of Fisheries Cooperatives, the National Forestry Cooperatives Federation, the Bank of Korea, the Korea Federation of Small and Medium Businesses, and the Korea Chamber of Commerce). The SMG and the 25 self-governing boroughs are also included.

**Table 5: Organizations Required to Report 2018 Purchase Records and 2019 Purchase Plans**

Type	National gov't	Local gov'ts		Offices of education	Public enterprises	Semi-governmental institutions	Other public institutions	Local public enterprises	Local public hospitals	Other special-purpose corporations	Total
		Regional	Local								
N	53	17	226	17	35	93	209	151	34	6	841

Source: MOEL 2018 (used with permission)

Public organizations intending to make preferential purchases from social enterprises can visit the e-store 36.5+<sup>11</sup>, an online e-commerce mall operated by the KoSEA to search and purchase products from social enterprises. There are also offline branches of Stores 36.5, including 10 stand-alone stores and 89 shared stores. Shared stores are mostly located within consumer cooperative stores. The Public Procurement Service (PPS) also offers the Korea Online e-Procurement System (KONEPS),<sup>12</sup> which includes the Social Economy Exclusive Store.<sup>13</sup> The KoSEA's Public Procurement Support Centre also provides a channel for public procurement.

**Table 6: Preferential Public Procurement from Social Enterprises (2012-2018 (in KRW Million))**

Year	Total purchase (A)	Purchase from SEEs (B)	Percentage (B/A)	Number of public organizations
2012	35,991,782	191,633	0.53	504
2013	38,858,926	263,186	0.68	751
2014	37,225,488	355,026	0.95	764
2015	38,496,886	595,727	1.55	777
2016	41,117,067	740,139	1.80	783
2017	46,309,231	942,815	2.04	832
2018	46,755,468	1,059,549	2.27	841

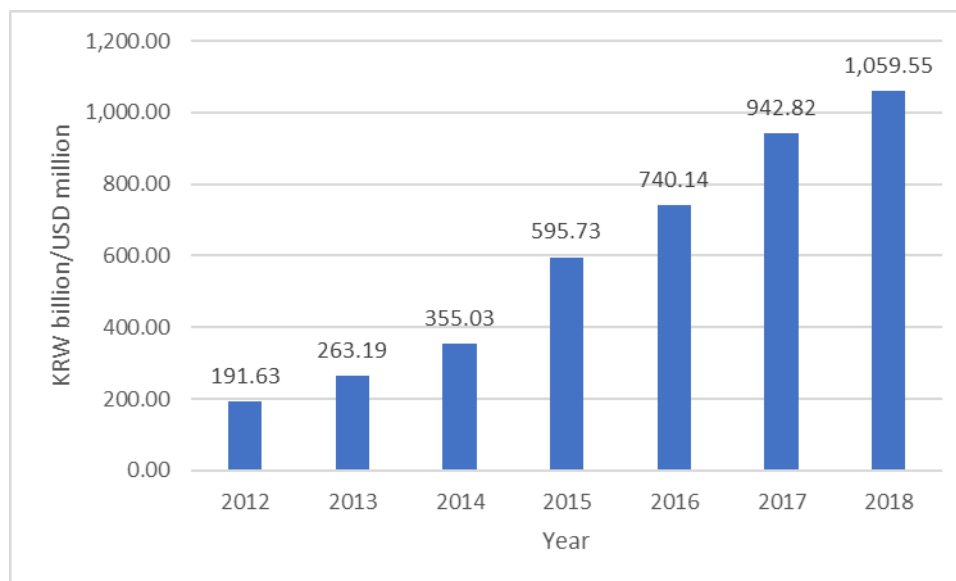
Source: MOEL 2013 to 2019 (reproduced with permission)

<sup>11</sup> www.sepp.or.kr

<sup>12</sup> The KONEPS is an advanced electronic procurement system that enables parties to handle the entire process digitally. It displays bidding posts from all public organizations, and also serves as a single window via which any and all businesses can participate in any bidding by registering their information just once. The system has been widely praised for its transparency and also its ability to save significant amounts of money and time.

<sup>13</sup> <http://shopping.g2b.go.kr/>. The exclusive online store features products from social enterprises, enterprises hiring persons with disabilities, standard disability enterprises, producers with severe disabilities, producers who are National Heroes or their descendants, women's enterprises, traditional culture and the arts, and social cooperatives.



**Figure 1: Total Value of Public Procurement from Social Enterprises (2012-2018)**

Source: Authors' figure based on data from Table 6

As Table 6 shows, the aggregate value of social enterprises products and service purchases made by public organizations multiplied from KRW 191.6 billion in 2012 to KRW 1,059.5 billion in 2018, while the share of social enterprises' products and services in total purchase value also jumped from 0.53 percent to 2.27 percent. However, purchases made from social enterprises make up only 1.8 percent of all public purchases made from prioritized/preferred producers (with SMEs and women's enterprises making up 73.3 percent and 4.2 percent, respectively). Although total public procurement from social enterprises has grown over the years, the policy to prioritize SEEs products and services in public procurement has not been so effective. One reason for this is that many biddings for public procurement value the lowest prices offered rather than social values. Furthermore, although national and local governments are required by law to make a certain amount of purchases from SMEs and women's enterprises, there is no corresponding legal duty regarding purchases from social enterprises (the law requires that 50 percent of total public procurement be from SMEs, eight percent from women's enterprises, and one percent from enterprises hiring persons with disabilities, while purchases from social enterprises are recommended and not required). Meanwhile, the financial hardships faced by SEEs, their limited sales networks, and the shortage of policy support for developing markets have withheld social enterprises from generating much demand on the markets, notwithstanding the government-operated online and offline platforms featuring their products (Interdepartmental Report 2017a).

One way to bolster the social economy is to require governmental and public actors to dedicate a certain percentage of their public purchases to products and services from SEEs under the Act on Contracts to Which the State is a Party. The additional points that have been allocated so far, in public biddings, to social enterprises only should also be granted on social cooperatives, self-reliance enterprises and community enterprises, and purchases from each types of these SEEs should be made mandatory. In addition, public organizations can now sign private contracts valued at KRW 50 million or less each

with social enterprises that hire over 30 percent of their workers from disadvantaged backgrounds. Best-practice examples of procurement from social enterprises are also to be publicized and disseminated, and the structure for evaluating performances of public enterprises, semi-governmental institutions and local public enterprises is to be reformed so that their purchases from SEEs would contribute favorably. The exclusive online store for products from social enterprises is to be expanded into an independent website featuring goods and services from diverse types of SEEs, while ties with TV infomercials and department stores are to be reinforced and social economy expos are to be held to advertise SEEs' products far and wide (Interdepartmental Reports 2017a and 2017b).

The number of social enterprises registered with the KONEPS has been rising steadily. In 2007, when the social enterprise certification policy was first introduced, only 70.73 percent of all social enterprises were registered. By the end of 2017, the percentage rose to 100 percent (KoSEA 2018b).

**Table 7: Number of Certified Social Enterprises Registered with the KONEPS**

Type	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>KONEPS-featured (A)</b>	29	173	197	378	502	617	667	927	1217	1615	1879
<b>Certified (B)</b>	41	166	231	405	533	668	923	1183	1465	1625	1872
<b>Annual increase</b>	n/a	125	65	174	128	135	255	260	282	160	247
<b>Percentage (A/B)</b>	70.7 3	100. 00	85.2 8	93.3 3	94.1 8	92.5 1	72.2 6	78.3 6	83.0 7	99.3 9	100. 30

Source: Korea Institute of Procurement (KIP) 2018, "Analysis of KONEPS DW Statistics System" (quoted in KoSEA 2018b) (used with permission)

### 3.2.2 SMG's policy on public procurement from the social economy

The national government rather belatedly included social cooperatives, community enterprises and self-reliance enterprises in the scope of SEEs eligible for prioritization in public procurement only after it introduced measures to foster the social economy in 2017. The SMG, on the other hand, had been prioritizing these diverse types of SEEs since 2013. The Municipal Ordinances on Public Purchase and Marketing Support for the Products of SEEs (effective as of 30 April 2014) and on Public Procurement for Realization of Social Values (effective as of 14 May 2014) spearheaded the creation of a policy system favoring SEEs as partners of public procurement. The first defines SEEs as including certified and pre-certification social enterprises, cooperatives, community enterprises, self-reliance enterprises, producers with severe disabilities, and other businesses/nonprofit corporations/nonprofit organizations that engage in commercial activities to realize social values. It requires the mayor to establish and implement metropolitan policy measures promoting the purchase of products and services from SEEs. The mayor is also to establish and announce plans for purchasing SEEs' products and services in 90 days following the finalization of the city's main budget, and subsequent to this, shall publish reports on purchases of SEE products and services made the preceding year. Heads of each public organization

are also to urge that five percent of their total procurement budget is spent on purchasing goods and services from SEEs.

The latter requires the SMG to establish, and enforce compliance with the Public Procurement Guideline to support public procurement mindful of social values; to increase access and promote prioritization to public procurement biddings for SEEs and other enterprises representing the disadvantaged<sup>14</sup> ; and grant additional points for candidate suppliers of public purchases in light of their social values and missions.<sup>15</sup> Moreover, the law requires all parties to contracts with the SMG and its agencies which ensure compliance with applicable labour laws, in order to protect workers' rights such as guaranteeing appropriate income for workers, and publishing details on the processes via which they reached contracts with the city on the SMG's website. Accordingly, the SMG introduced the Public Procurement Guideline in June 2014, outlining social values that should be considered throughout the entire bidding process. Since 2015, it has also been publishing and updating the Task Manual for Contracts Promoting Social Values annually (SMG 2016a). In 2014, the SMG also distributed copies of the Public Procurement Manual aimed at public organizations to deepen their understanding of the social economy and the need to enable SEEs to enter the public procurement market.

Based on these statutes and policy measures, the SSEC has introduced various programmes to support public purchases from SEEs. One of the most well-known among them is the Group Supporting SEEs' Marketing for Public Procurement. Notwithstanding the existence of supportive legislation and policy, public organizations still lack information on the diversity of products available from SEEs, while small and struggling SEEs lack the information they need to successfully enter the market for public procurement. The SSEC has been addressing this issue by working with an expert organization since 2014, organizing briefings and educational sessions on SEEs for procurement officials, providing all-year-round telephone consultations via the Public Procurement Call Centre, as well as researching and analysing the public procurement market to highlight niches open to SEEs.

The support group introduced SENAVI<sup>16</sup> in 2016 as an online platform providing necessary information and services for the matching between public organizations and SEEs. SENAVI provides SEEs with information on department-by-department purchase records, plans and patterns on public organizations. It also provides public organizations with basic information on SEEs and their products. In 2018, it made the first-ever attempt in the Republic of Korea to analyse the budgets of the SMG and its 25 boroughs to proactively identify and recommend SEEs' products that public organizations might purchase. SENAVI now has an average monthly visitor count of 7,000 to 8,000.

The support group, moreover, organizes the annual Social Economy and Public Procurement Expo so that representatives of SEEs and procurement officials can meet and hold business meetings one on one. SEEs held booths until 2017, and in 2018 public organizations also began holding booths so that

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<sup>14</sup> The "other" enterprises here refer to social enterprises, enterprises hiring persons with disabilities, and small businesses that are relatively disadvantaged, in terms of both size and competitiveness, on the market (Para. 3, Art. 2).

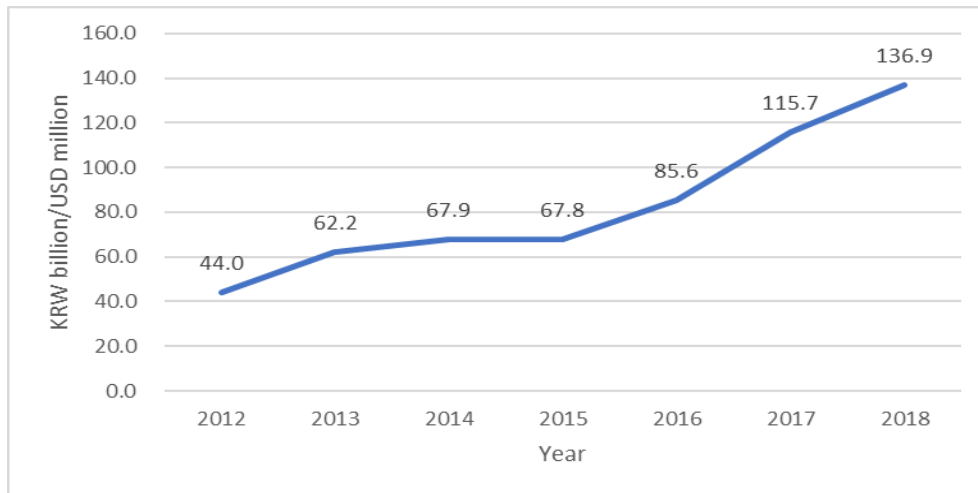
<sup>15</sup> The main indicators of corporate social responsibility the SMG uses include governance, human rights, labour practices (workers' safety and fairness), environmental practices, fair trade practices, consumer issues, and contribution to the development of local communities.

<sup>16</sup> <http://senavi.org>

officials could explain their purchase plans to SEEs. In 2019, 192 procurement officials from 64 public organizations (departments) and 208 SEEs, participated in the Expo which culminated in 618 one-on-one procurement meetings.

The SSEC also supports similar groups at the borough-level, while the SMOE organizes bi-monthly meetings on support for public procurement.

**Figure 2: Total Value of SMG's Procurement from SEEs (2012-2018)**



Source: Authors' figure based on data from SSEC 2019

Under these forms of active support, the total citywide annual value of public procurement from SEEs soared rapidly from KRW 50 billion in 2012 to KRW 136.9 billion in 2018. Nevertheless, the SMG's purchases from SEEs amounted to 1.3 percent of the city's total purchases in 2017, prompting policy makers to raise the percentage to three percent (KRW 200 billion or more) by 2022. Mandatory public purchase requirements, currently applying to the SMG and its offices, borough governments and SMG-invested institutions, are therefore to extend to welfare facilities and nongovernmental organizations operated by the city's budget beginning in 2019 (SSEC 2019).

### 3.3 Policy on social finance

#### 3.3.1 National level

The central government's new measures for encouraging the development of the social economy, announced in 2018, included social finance, holding that the social finance market was still in a nascent stage. Although the social economy was rapidly growing, sources of social finance remained scarce. The state has been making increasing amounts of public finance available, but at a pace far behind that of the growth in demand for the social economy. In addition to the absence of a system appropriately assessing SEE eligibility for financial support, social finance intermediaries also remained underdeveloped. In other words, the entire ecosystem of social finance was inexistent.

Measures introduced by the government to boost social finance included: (1) supporting the creation of the Korea Social Value and Solidarity Foundation (SVS) to serve as a wholesale distributor of social finance and as a catalyst for the rise of a sustainable social finance market; (2) supporting intermediary organizations with expertise on finance and social issues so as to reduce the asymmetry of information between investors and SEEs; (3) introducing a system of objectively evaluating the social and financial performances of SEEs and a related database to help private investors make decisions; (4) expanding governmental and public channels of social finance and encouraging credit unions and mutual savings banks to participate to induce subsequent increases in the private sector's participation; and (5) assembling the Social Finance Council, which represented all related organizations and authorities, to strengthen cooperation among governmental organizations, social finance institutions, and SEEs over information exchange and sharing, infrastructure development, and the preparation of follow-up measures (Interdepartmental Report 2018b).

So far, the following progress has been made. First, SVS was established in December 2018, which is the first wholesale distributor of social finance in the Republic of Korea based on a partnership between the public sector, private sector and civil society with the purpose of contributing to the development of a social finance ecosystem for a sustainable social economy. Its main projects include providing patient capitals to social economy enterprises and organizations through local intermediaries, supporting social impact projects such as social impact bonds, social housing, community ownership and renewable energy led by social economy organizations or local governments, and fostering social finance intermediary organizations. The Foundation was launched with the target of raising KRW 300 billion from public-private partnerships. However, as the government cannot invest in it unless the FASE is first enacted, the Foundation has so far received private-sector contributions alone. As of the end of 2019, SVS have raised KRW 28.1 billion and committed KRW 12.4 billion to investment and loan contracts intended to foster the social economy and social finance ecosystems. Local intermediaries have matched it with another KRW 64.6 billion toward raising KRW 77 billion in total, which will be supplied to social economy enterprises and organizations over the next three years (SVS 2020).

In 2018, the central government completed the development of a model for evaluating SEEs so as to facilitate decision-making on social finance. The model was designed to assess both the financial and social performance of SEEs. Specifically, it assesses SEEs in light of how well they have catered to their stated social missions and characteristics, as well as their "feasibility for financial support," to create a general assessment of SEE ability to repay loans. The model can be applied to only certain types of SEEs, namely, cooperatives, social enterprises, community enterprises and self-reliance enterprises (Korea Credit Guarantee Fund [KCGF] and KSEPA 2018).

The Social Finance Council was also launched and has been organizing quarterly meetings since April 2018 to monitor progress made under policy support for social finance and to deliberate upon needed improvements. The minutes of the most recent meeting, held in November 2019, show that the central government has decided to play a leading role in fostering ecosystems for social finance by continually increasing publicly available funds, agreeing to provide KRW 323 billion in 2019, but, exceeding the

target amount, to KRW 332,9 billion which has been provided for 1,578 SEEs and other eligible businesses as of September.<sup>17</sup>

**Table 8: Policy Finance Plans and Progresses on Providing Social Finance (January to September 2019)**

Type	Institution	Budget 2019	Executed by end of June 2019	Number of eligible enterprises	
<b>Loans</b>	Korea Inclusive Finance Agency	50	35	60	Loans for SEEs
	Korea SMEs and Startups Agency	500	489	219	Favorable rates on policy loans
	Small Enterprise and Market Service	100	48	86	Exclusive fund for SEEs
	Credit Union	300	156	128	Mutual Partnership Loans, etc.
	MG Saemaul Geumgo	10	30	22	Social Growth Support Project
<b>Credits</b>	KCGF	1,000	1,061	592	Credit guarantee programmes
	Local Credit Guarantee Foundations	150	104	223	Special credits for SEEs
	Korea Technology Finance Corporation	700	780	182	Social Venture Impact Guarantee
<b>Investment</b>	Korea Growth Finance	200	210	22	Social investment fund
	Korea Venture Investment Corporation	220	416	44	Social Impact Investment Coop
<b>Total</b>		3,230	3,329	1,578	

Source: Financial Services Commission (FSC) 2019 and Jang 2019 (used with permission)

Recognizing that the lack of available information on nongovernmental intermediaries for social finance made it difficult for SEEs to access finance, the central government ordered a fact-finding survey on the problem and established a database of social finance intermediaries as a result. In addition, the

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17 Although the demand for funds from the social economy sector has been much met due to this leading role of the central government, however, the problem has emerged that funds are mainly supplied to SEEs with corporate status, so the financial demands from SEEs with other legal status such as co-operatives and non-profit organizations are not properly met. In addition, impact funds that support SEEs from the start-up stage to scale-up are supplied at about KRW 100 billion annually in total from the public and private sector, which also revealed the problems that the social impact fund management companies' demand for easing the dividend limit on SEEs with corporate status has increased to improve their return on investment, or some founders of SEEs have abandoned their social missions and pursue their private interests, which requires the establishment of the legal and institutional frameworks to prevent such moral hazards.

government aims to develop another database by the end of 2019 to provide credit information on SEEs that have received financial support from institutions affiliated with the Social Finance Council.

The government has encouraged commercial banks to participate in efforts toward promoting social finance as part of their socially responsible management practices. As a result, commercial banks together provided KRW 252.7 billion for SEEs in 2017, and another KRW 342.4 billion in 2018. In 2019, banks were estimated to have provided KRW 354.2 billion already as of September. Loans made up for almost all of the financial support provided by these banks, or KRW 186.8 billion (98.1 percent), while donations and sponsorship amounted to KRW 3.2 billion (0.9 percent). Product purchases accounted for KRW 2.8 billion (0.8 percent), and capital investment in new businesses, KRW 0.5 billion (0.1 percent).

**Table 9: Commercial Banks' Financial Support for SEEs, KRW 100 million (January to September 2019)**

Type	2017			2018			2019		
	Amount	N	Avg.	Amount	N	Avg.	Amount	N	Avg.
<b>Social enterprises</b>	2,008	1,808	1.1	2,987	2,499	1.2	2,552	2,029	1.3
<b>Cooperatives</b>	329	168	2.0	278	185	1.5	872	275	3.2
<b>Community enterprises</b>	156	161	1.0	138	188	0.7	86	96	0.9
<b>Self-reliance enterprises</b>	34	167	0.2	21	114	0.2	32	115	0.3
<b>Subtotal</b>	2,527	2,304	1.1	3,424	2,986	1.1	3,542	2,515	1.4

Note: Where a given organization fell into two or more categories of SEEs, it was counted in the category in which it received the greatest amount of funding.

Source: Jang 2019 and FSC 2019 (reproduced with permission)

### 3.3.2 Social finance policy in Seoul

The Municipal Ordinance on the Creation and Administration of the Social Investment Fund was enacted in 2012, with the SMG making an initial investment of KRW 50 billion. The goal of the fund is to support SEEs and their projects for the society by providing them with the required investments and loans. The SMG's original plan was to invest KRW 50 billion so that the social economy sector would match it with another KRW 50 billion toward raising KRW 100 billion in total. The fund, however, as of the end of 2018, raised KRW 76.4 billion. Of this, KRW 58.7 billion came from the SMG and the remaining KRW 17.7 billion from the social economy sector. Over the six years from 2013 to 2018, the Social Investment Fund provided KRW 84.1 billion in loans for 426 SEEs, helping to create 2,402 jobs and develop 604 units of social housing (SMG 2019a).

**Table 10: Social Investment Fund Performance, KRW 100 million (2013-2018)**

Type		Total	2013	2014	2015	2016	2017	2018
<b>Provided</b>	Total	99,283	21,123	9,348	15,954	21,331	13,423	18,104
	SMG	76,614	10,900	7,488	14,612	20,664	9,884	13,066
	Nongovernmental	22,669	10,223	1,860	1,342	667	3,539	5,038
<b>Number of recipients</b>		426	71	46	68	78	68	95

Source: SMG 2019a (used with permission)

The SMG had initially commissioned a nongovernmental social investment institution to manage and administrate the fund. The amendment of the Framework Act of the Management of Local Government Funds in 2016, however, made it illegal to commission the management of a public fund to a private party. This led the SMG to reform a plan for the Social Investment Fund. Upon reviewing how the fund had been managed until then, the SMG found that it had almost exclusively benefitted companies with high credit ratings and the ability to repay their loans, thus failing to cater to the demand of new and small enterprises. It was thus important to address this situation by developing a special intermediary in charge of social finance. It was also necessary to secure additional contributions and resources from the nongovernmental sector to enlarge the fund. With the vision of making the Social Investment Fund a major source of relational finance and patient capital, the SMG decided to openly recruit diverse partners of social finance. These partners would receive the Social Investment Fund in the form of investments and loans, on the condition that they would match the amounts they received one-to-one, or one-to-three at the very least, in reinvesting or loaning the fund to SEEs. The Social Investment Fund, in other words, was to serve as the fund of funds serving SEEs' financial needs (SMG 2016b).

Intermediaries wishing to participate in the administration of the Social Investment Fund are to submit business plans (on how to spend the money and match it), financial statements, and other forms of required paperwork. A board consisting of social finance experts and the Fund Administration Review Committee would review the applications and select eligible intermediaries. The chosen intermediaries enter loan agreements with the SMG and invest the amount of money they have received, according to the business plans they have submitted, in projects supporting SEEs and their social missions. The SMG provides these loans for intermediaries free of interest, and intermediaries provide these loans for SEEs or social projects at interest rates no higher than three percent per annum. This interest rate is much lower and affordable for small and medium SEEs with limited access to institutional finance. In exchange for receiving interest-free loans, intermediaries bear the responsibility for ensuring loan repayment.

The SMG's plan for the Social Investment Fund in 2019 involved providing KRW 10 billion for programmes supporting SEEs and social investment. The plan predominately aims to provide loans necessary to start or manage SEEs and implement social projects that deliver social values. Target beneficiaries are SEEs and social investment projects that seek to solve social, environmental, and cultural problems in Seoul. SEEs may receive up to KRW 200 million per organization and may receive up to KRW 1 billion per project. The interest rates applicable to both may be no more than three percent per annum, and loan durations are up to a maximum of five years. KRW 5 billion has been specifically allocated to social housing in support projects that involve developing housing for the poor and the



disadvantaged.<sup>18</sup> Intermediaries chosen to manage the social housing project can provide up to KRW 2.5 billion at three percent per annum in loans for SEEs, nonprofit organizations and SMEs that are providing, or plan to provide, social housing. KRW 3 billion has also been set aside to provide loans for exemplary SEEs that create a significant number of jobs for persons from disadvantaged backgrounds. Each eligible company may receive up to KRW 300 million in loan at three percent per annum. The Private Asset-based Cluster Development Project provides long-term and low-interest loans for projects that seek to transform private assets into working, housing and community spaces for SEEs and their collaboration. KRW 2.5 billion has been set aside for the project (SMG 2019a).

The SMG also invest in projects with significant social impacts via impact investment associations. The SMG has set aside KRW 1 billion for its investment in 2019. The first impact investment association has been in operation since 2018, managing a total fund of KRW 14.5 billion, including KRW 1 billion from the Social Investment Fund, KRW 10 billion from the Korea Fund of Funds, and KRW 3.5 billion from its other members. The SMG has invested in the association on the condition that the other investors would invest at least 150 percent of what the SMG invests.<sup>19</sup>

### **3.4 Other measures supporting the social economy**

#### *3.4.1 Surveys and statistics*

Surveys and observations are essential to the design and implementation of effective and efficient policy measures for the social economy. The various national statutes, municipal ordinances, and enforcement decrees laying down the legal grounds for cooperatives, social enterprises, community enterprises and self-reliance enterprises require relevant ministries to conduct periodical surveys into these SEEs respectively. The findings of such surveys have formed an important basis for policy planning by relevant authorities.

However, only recently an attempt has been made to produce statistics on the entire social economy in the Republic of Korea. This is because different departments and agencies handle different types of SEEs, making it difficult to introduce comprehensive and centralized policy measures. In order to turn the bill for the FASE into a law, it is critical to ascertain the current conditions of the overall social economy first. As sizable amounts of fiscal resources are invested in its nationwide development every year (the national government's budget for the social economy in 2009 amounts to KRW 460 billion and would likely increase to KRW 480 billion in 2020), it is also important to base related policy measures on accurate statistics. In 2019, Statistics Korea made the first attempt to establish statistics on 13 types of SEEs according to a number of indicators (the number of SEEs of each type, the aggregate revenue per type, the gender and age distributions of SEE workers, the lengths of their employment, their rewards or wages, their inclusion in social insurances, and the number of jobs newly created,

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<sup>18</sup> The Municipal Ordinance on Fostering Social Housing in Seoul defines social housing as public rental housing provided by actors of the social economy for disadvantaged groups, including the elderly, the disabled, and young adults.

<sup>19</sup> Using Seoul Investment Fund, the SMG decided to make a special loan of KRW 15 billion to SEEs that have difficulties in maintaining employment and running a business due to COVID 19, at much lower rates of interest (0.5~1.5%) than the usual rate (3%), in April 2020.

maintained or replaced by SEEs) based on existing administrative data. Statistical findings will be announced in the near future. Efforts to produce statistics are necessary to the development of scientific and objective policy measures. They are also necessary to help the social economy obtain social and political recognition and thereby enhance the legitimacy of policy support for it. Finally, such statistics also provide essential basic data for in-depth research (Bouchard and Rousselière 2015). The Statistics Korea's report is therefore expected to be a milestone in the theoretical and practical efforts to foster the social economy in the Republic of Korea.

National surveys on major SEEs provide data by region, but the SMG also conducts its own surveys to collect data and information with which it could develop better measures for the social economy. The first systematic survey was conducted in 2014 regarding the operational status of SEEs (cooperatives, social enterprises, community enterprises, and self-reliance enterprises) in Seoul. With the aim of improving the SMG's support policy for cooperatives in 2019 based on borough-by-borough environments for cooperatives and their demands, the SMG also organized a comprehensive survey on all cooperatives that had been established as of December 2018. The SSEC also surveys the demands of public organizations and SEEs' capabilities for supply, to match them and facilitate SEEs' entry into the public procurement market. In addition to surveying SEEs' financial needs and assessing the effectiveness of policy finance, the SSEC also surveys local resources to facilitate borough-level projects to fostering ecosystems for the social economy.

### *3.4.2 Raising public awareness of the social economy*

Both the central government and the SMG have gone to considerable lengths to raise public awareness of the social economy. They have launched online platforms providing general and far-ranging information on the social economy; distributed publications that introduce major policy programmes, cases and achievements regarding the social economy; opened online channels specializing in social economy-related content and services; organizing Social Economy Week and Cooperative Day events; operating forums; and providing expos. The Social Economy Expo began on a significant scale, lasting for three days, in 2018, hosting a wide variety of activities organized by competent authorities, the Korea Central Council of Social Enterprises, and the KSENET. Emphasizing nongovernmental leadership, local involvement, and governmental support, the annual exhibitions are held in cities outside the Seoul metropolitan area. The 2019 Expo featured a space where visitors tried products and services offered by SEEs and learnt about the social economy. It also hosted an international conference on social finance and social value measurement methodologies, a forum for fostering social services, and a general academic conference on various subjects of the social economy.

The SMG's online platform for the social economy is the Seoul Social Economy Portal<sup>20</sup> run by the SSEC. The website allows the accumulation and sharing of a wide range of information, inviting anyone interested in the social economy to explore current conditions of the social economy and SEEs in Seoul, policy programmes, various announcements and postings, research and educational materials, and job postings from SEEs and other businesses. It also provides links to the Social Economy Academy's

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<sup>20</sup> <http://sehub.net/>

website<sup>21</sup>, the Story Platform<sup>22</sup>, and the School Cooperatives Platform<sup>23</sup>. Over 100 posts on various policy programmes and other subject matters are published on these platforms monthly, which together draw nearly 12,000 visitors a month. The Story Platform provides the online newsletters named Semo Letter<sup>24</sup>, updated bi-weekly, and e-mailed to various individuals and organizations including citizens, social economy actors, SEEs, support agencies, and officials (SSEC 2019).

The SSEC also organizes colloquiums on major issues of the social economy among experts, social economy actors, and the general public. Six to 12 colloquiums have been held each year since 2013, inviting experts from around the world for lectures on the latest trends in the social economy and organizing debates on policy-related issues.

The SMG has also launched the GSEF to promote international cooperation and exchange on the social economy. The GSEF is an international networking platform that gathers mayors, international organization representatives, and leaders of the social economy to discuss measures to boost social and local economies. In September 2018, the GSEF saw participation from officials of 43 local governments worldwide, Chantier de l'économie sociale (a social economy organization in Quebec), RIPPSS (Intercontinental Network for the Promotion of Social Solidarity Economy), the International Forum on Social Solidarity Economy (IFSSE), Locality (a British network of local communities), the Asian Venture Philanthropy Network (AVPN), and other leading organizations who are the forum's members. Since the first meeting of the forum was held in Seoul 2013, three more meetings have been held since in 2014 and 2016 respectively, including the fourth meeting which was held in Bilbao, Spain, in 2018. The GSEF promotes exchange among member organizations and dissemination of policy examples, and advocates raising awareness of social economy-related issues as policy concerns. A series of efforts have been made by the member organizations to promote international exchange and solidarity on social economy since 2013. The Asia Network for Young Social Entrepreneurs (ANYSE), first introduced as part of the GSEF in 2014, has also been held every year, providing a platform for young entrepreneurs and activists to share their local experiences (SSEC 2016a).

### *3.4.3 Plan 2.0 for developing the social economy in Seoul*

In April 2019, the SMG announced plan 2.0 for developing the social economy in Seoul. Even though various laws and institutions for the social economy were established and innovative social economy actors had significantly increased over the last decade, opportunities for the general public to experience the social economy in their daily lives remained insufficient and, as a result, as did public awareness. This was therefore considered in the plan 2.0 for the development of Seoul's social economy.

Strategies for developing the social economy in the SMG have evolved from direct financing for individual SEEs (1997~2011) to indirect support via fostering ecosystems for the social economy

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<sup>21</sup> <http://academy.sehub.net>

<sup>22</sup> <http://story.sehub.net>

<sup>23</sup> <http://schoolcoop.sehub.net/>

<sup>24</sup> <http://sehub.blog.me/>

(2012~2018). In the 2.0 plan (2019~2022), the SMG promotes citizen-centred social economy initiatives through various policy measures, including programmes to develop innovative solutions to tackle social problems faced by citizens in their daily lives through the social economy, the consolidation and expansion of private-public partnerships in the co-construction of public policies for the social economy through the reconstruction of PPPSES by industry, age group, and region, and supporting the establishment of the Mutual Aid Association for the Social Economy Enterprises and Organizations and their Members and Workers.

SMG has introduced three programmes to develop innovative solutions for social problems faced by citizens in their daily lives. First, the Living Together Project is a programme which was established to support self-help groups of whose members comprised of more than 5 residents living in apartment buildings with more than 150 households to help resolve social problems in their residential communities through solutions mobilizing the social economy. The self-help groups develop business models in cooperation with their resident councils, SEEs and intermediary agencies for the social economy. The second programme supports the establishment of local social care services for local SEEs by district to provide social care services such as meal delivery, house maintenance, and transportation for the elderly and handicapped, which are part of the integrated social care services provided by Care SOS Centres, community care centres in Seoul. The third programme aims to support the establishment of technical schools to create jobs for the disadvantaged and to promote their social inclusion. The programme aims to do this by teaching local residents the relevant skills needed to enable graduates from the technical schools to establish the local management enterprises to provide essential services in communities such as the operation and management of local facilities and house maintenance services.

As for the Mutual Aid Association for the Social Economy Enterprises and Organizations and their Members and Workers, their aim is to build the foundations for sustainability and autonomy based on mutuality and solidarity. There are several mutual aid funds raised by the social economy sectors, including Social Enterprises Mutual Aid Fund (KRW 4 billion), Social Innovation Fund (KRW 0.5 billion), and Self-Reliance Mutual Aid Fund (KRW 0.2 billion). Most of them are, however, for SEEs, not for their members and workers. The mutual aid association is expected to improve their quality of life by supplementing their social safety net. The establishment of the mutual aid association will be led by the private sector, and SMG will support it through assisting the establishment and operation of the fund and contributing it.

The 2.0 plans, also include programmes to consolidate and expand existing policy measures for promoting the social economy, programmes to strengthen the foundation of a sustainable ecosystem for the social economy by building cluster spaces for SEEs by industry using public assets, programmes to promote innovative social enterprises such as social ventures to develop solutions for social problems as well as job-creation for the youth, and expansion of the volume and scope of public procurement from the social economy. The SMG intends to upgrade the development of the social economy to a new level through the 2.0 plans and contribute to improving the quality of life for citizens in the long run.

## Concluding Remarks

We have examined the legal and institutional frameworks and public policy measures of taken by the SMG to promote the social economy in relation to those of the central government. Specifically, we focused on the essential components of ecosystems for the social economy which enable SEEs to thrive over time (OECD/EU 2017; UNRISD 2019). We also examined their achievements and limitations, or challenges to achieve sustainable development of the social economy in Seoul and nationwide.

Notwithstanding its short history, the social economy has grown significantly in recent years in the Republic of Korea, and in the process, the governments have played an important role. As mentioned in this document, both the SMG and the central government have made a concerted effort to build such ecosystems for the social economy, and as such, essential components of social economy ecosystems (OECD/EU 2017; UNRISD 2019) have been established at the local level as well as at the national level. The legal and institutional frameworks for SEEs have been established, arrangements for promoting their access to markets and finance have been made and business support structures and education and training programmes have been developed. Surveys on each type of SEEs have been conducted regularly and statistics on the entire social economy are being produced. Due to such supportive initiatives, the number of major SEEs (social enterprises, cooperatives under FAC, community enterprises, and self-reliance enterprises) has increased from 819 in 2012 to 4,288 in 2018, the number of workers for SEEs has increased from 10,400 in 2012 to 19,800 in 2018, and the total sales of those SEEs have also increased from KRW 724 billion in 2012 to KRW 1,961 billion in 2018 in Seoul (SSEC 2020). In particular, the number of major SEEs and their employment and turnover have also significantly increased at the national level over the past two years, with active support from the central government which has adopted many of the SMG public policy measures and promoted the vitalization of the social economy as one of its highly prioritized policy objectives.<sup>25</sup>

Despite this growth, the impact of the social economy on the national economy remains weak. According to a survey, as of late 2018, the total number of all types of SEEs was at approximately 25,000, representing only 2.98 percent of the total number of businesses, the number of people working for SEEs was 0.94 percent of the total number of employees in the national economy, and the total turnover of those enterprises was only 4.43 percent of GDP. Furthermore, the turnover became negligible at 0.55 percent of GDP if we exclude highly institutionalized cooperatives from the count which conduct financial business, such as agricultural cooperatives, credit unions and community credit cooperatives called *Saemaeulgeumgo* (Interdepartmental Report 2019).

Another problem is that many SEEs heavily rely on financial support from the government, which raises questions on the autonomy and sustainability of SEEs. In a survey, 38.9 percent of enterprises surveyed reported that it would be difficult to be self-reliant without government support (Kim et al. 2018). Even though the policy paradigm for SEEs has shifted from direct financial support for individual enterprises

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<sup>25</sup> The number of major SEEs have increased from 14,916 in 2016 to 19,439 in 2018, the number of workers for SEEs has increased by 20 percent from 88,000 in 2016 to 106,000 in 2018, and the total sales of those SEEs have been also increased by about 50 percent from KRW 4.3 trillion in 2016 to KRW 6.4 trillion in 2018 in the national level (Interdepartmental Report 2019).

to building ecosystems in which they can flourish at both the SMG and the central government level, most SEEs are small and lack competitiveness in markets. SEEs pursue both economic and social values at the same time, which makes it difficult for them to compete with commercial enterprises in markets. However, it is important to recognize that SEEs need to make more efforts to increase innovation based on various policy support from the state, in order to be competitive in the markets as well as to find new innovative solutions for unresolved social problems emerging in society. At the government level, there is also a need to develop policies for promoting the innovative potential of SEEs. As such, the central government seeks to loosen the criteria for social enterprise certification and shift from the present certification system to a registration system for social enterprises, which would allow the enterprises such as social ventures to be included within the scope of the social economy. Social ventures have emerged spontaneously and have sought to solve a wider variety of social problems in more innovative ways than existing social enterprises. Although in the past social ventures have remained relatively free from governmental regulations, both the SMG and the central government have recognized their potential as a facilitator of social innovation and have developed various policy measures to support them (KoSEA 2019c; Joo, Cho and Yoon 2018).

Aside from the quantitative growth of the social economy, another achievement is that more integrated and coherent social economy policies have set out to be designed and implemented at the level of the SMG as well as at the level of the central government since the inauguration of the current government in 2017. However, for such a policy system to be established, FASE and related laws should be enacted as soon as possible. Given that such laws could not be enacted largely due to obstruction by the main opposition party, efforts should be made to establish political consensus among the parties, which requires further efforts to raise public awareness of the social economy.

Many resources have been devoted to fostering social entrepreneurship and developing human resources for the social economy through education and training at the level of the SMG as well as at the level of the central government. As a result, the number of SEEs and people working for them has increased. However, as mentioned above, there are many limitations. Despite this, the master plan of human resource development for the social economy, announced in 2018, is expected to contribute to the development of the social economy by expanding the scope of education and training and improving the quality of them.

There are also some achievements and limitations regarding the co-construction of public policies for the social economy. The cooperative partnership between social economy actors and governments is essential in the process of developing and establishing those ecosystems, which ensures more effective and efficient policy development and implementation with more coherent and strategic approaches (Mendell and Alain 2013).

As previously mentioned, at the SMG level, there have been co-operative public-private partnerships in policy design, implementation and accountability, and in this process, the SSEN has played an important role as a representative organization of SEEs in Seoul.

At the central government level, the KSENET has participated in the process of designing and implementing social economy policies as a government counterpart.

But there are a limited number of channels in which the social economy sector can take the lead in both the SMG and central government levels. There are many possible reasons for this, but it is predominately due to a lack of cohesion among SEEs preventing them from coalescing as a cohesive movement (Utting 2017). Many organizations representing the social economy sector have not grown based on grassroots organizations over time, but created to meet the government's policy needs, which could lead to a lack of organizational and financial foundations to ensure their autonomy and independence in the relation to the governments.

This is true of intermediary support organizations. In countries with a well-developed social economy, many intermediary organizations have developed as self-governing organizations with self-reliant resources and have established equal partnerships with governments. SSEC, a leading intermediary organization for the social economy in Seoul, was established as a result of public-private partnership between the SMG and the SSEN but has been run entirely with the SMG's budget. This is due to the SSEN's lack of financial foundation which has been commissioned to operate it, and consequently this increases the risk that the SSEC will become merely a simple instrument for implementing SMG's policies (Jung and Hwang 2018).

As we have seen above, the preferential public procurement policy for the social economy has drastically increased the total value of public procurement from SEEs in just a few years. However, it is noteworthy that there are some challenges that remain. Most products and services from SEEs are simple, low value-added, and suffer from excessive competition with those from other beneficiaries of such preferential public procurement policies such as SMEs, women's enterprises or enterprises hiring persons with disabilities. Therefore, SEEs are required to develop products and services with higher social value reflecting their own characteristics.

Another challenge is that public purchases of products and services from SEEs have increased significantly, but those from the top 10 percent of SEEs account for more than 60 percent of the total supply in the public procurement market, while those of the bottom 50 percent of SEEs account for only less than 5 percent of it. More efforts are also required to reduce information asymmetry between SEEs and public organizations, including the introduction of quality assurance system for products and services from SEEs. It is likely that all of these problems derive from the fact that most SEEs are small and lack of competitiveness in markets. Therefore, various public measures need to be taken to encourage SEE participation in the public market, but it is also noteworthy that SEEs must make more efforts to increase their competitiveness (Lee et al 2018).

The social finance market is still in a nascent stage but SEEs are getting better access to finance to meet their growing financial needs due to various public policy measures in Seoul as well as nationwide. In particular, the plan for fostering social finance, announced in 2018, is expected to make a significant contribution to the development of Korean social finance, in terms of creating the social finance ecosystem through the establishment of wholesale distributors of social finance, intermediary organizations on a local basis, and effective evaluation systems for social and financial performance of SEEs as well as an increased access to funding for the social economy.

However, it is noted that efforts are also being made in the social economy sector to raise funding among SEEs to build self-reliant social finance, as seen in the Social Innovation Fund and Social Enterprise

**Mutual Aid Fund.** Excessive dependence on state-led social finance may bring about unintended consequences resulting in only few a SEEs with good credit records who would benefit from social finance schemes. As seen in many social funds, most SEEs are left out, including the Social Investment Fund in Seoul that have managed funds conservatively due to the risk of losing principal. Mutual aid funds based on financial solidarity will increase SEE self-determination, which leads to the effective and efficient social finance market (Kim et al 2018).

In conclusion, the legal and institutional frameworks and various public policy measures for the social economy have played a major role in the development of the social economy both in Seoul and nationwide. However, as examined above, if such state-led efforts are not accompanied by efforts from the social economy sector, this may result in unintended consequences on the development of the social economy. The cultivation and maintenance of autonomy and independence in the social economy sector therefore remains crucial to its development.



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