

GSEF Social Economy Policy Guidebook  
– Seoul Metropolitan Government

## **Status of Social Economy Development in Seoul**

A Case Study of Seoul

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-Seoul Metropolitan Government

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GSEF Social Economy Policy Guidebook - Seoul Metropolitan Government

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**Seoul's Social Economy Policy(2011-2015): Achievements and Challenges/Seoul Social Economy Center**

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## List of Acronyms

CDR: Quebec's Regional Development Cooperative
CBPP: Community Business Promotion Project
FAC: Framework Act on Cooperatives
GSEF: Global Social Economy Forum
KoSEA: Korea Social Economy Promotion Agency
KPIA: Karl Polanyi Institute Asia
MOEL: The Ministry of Employment and Labor
MOI: The Ministry of the Interior
MOSF: The Ministry of Strategy and Finance
SSEPC: Seoul Social Economy Policy Council
LSEEDP: Local Social Economic Ecosystem Development Project
SEPA: Social Enterprise Promotion Act
SEZ: Social Economy Zone
SCCC: Seoul Cooperative Consulting Centers
SCBA: Seoul Community Business Association
SRCA: Seoul Regional Cooperative Association
SCSC: Seoul Cooperative Support Center
SCSE: Seoul Council of Social Enterprises
SMG: Seoul Metropolitan Government
SSEC: Seoul Social Economy Center
SSEN: Seoul Social Economy Network

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## Social Economy of Seoul



**Administration:** 25 self-governing gu (boroughs), 424 dong (neighborhood units)

- Average gu-size: Area 24.2Km<sup>2</sup>, Population 413,980
- Average dong-size: Area 1,43Km<sup>2</sup>, Population 24,285



433

Social enterprises



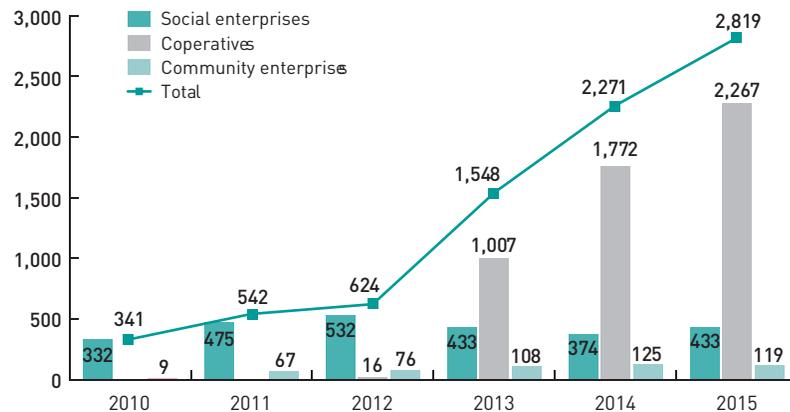
2,267

Cooperatives



119

Community enterprises



| Annual Growth of the Social Economy in Seoul |

## Social Enterprises

### Social enterprises



These are business organizations that produce and distribute goods and services for social reasons, such as delivering social services and creating jobs for the vulnerable, and improving the standard of living and the quality of life for local communities.

- Social service enterprises: provide social services for the welfare of the marginalized.
- Employment-creating enterprises: provide jobs for the marginalized.
- Community-contributing enterprises: contribute to local communities by increasing income and creating jobs for locals, and helping to solve local problems.
- Mixed-type enterprises: create jobs and provide social services for the marginalized.
- Other enterprises: enterprises whose activities have social impact, even though their contributions to employment and social services cannot be easily quantified.

### Cooperatives



These are business organizations that promote the interests of members and contribute to local society by organizing cooperation over the production, sales, distribution, and purchase of goods and services.

- General cooperatives: for-profit organizations that are created by five or more incorporators and promote the interests of members.
- Social cooperatives: cooperatives that are created to carry out business projects for social causes.

### Community enterprises



These business organizations bring together locals on mobilizing various locally available resources so as to generate revenue, income, and jobs for locals, solve local issues, and promote the interests of local communities.

- New-type community enterprises: contribute to local communities by making use of local human resources (young adults, retirees, stay-at-home mothers who used to work in the past), public resources (cultural properties such as Confucian schools, abandoned schools, and other tangible and intangible assets), and/or technological resources (IT, design, and other unique technologies).
- Community enterprises-in-the-making: enterprises capable of evolving into community enterprises, and designated by the heads of central government ministries or of local governments.
- Distribution community enterprises: enterprises that specialize in the sale and distribution of products of other community enterprises (one per metropolitan city or province).

-----Social Economy Networks in Seoul today-----

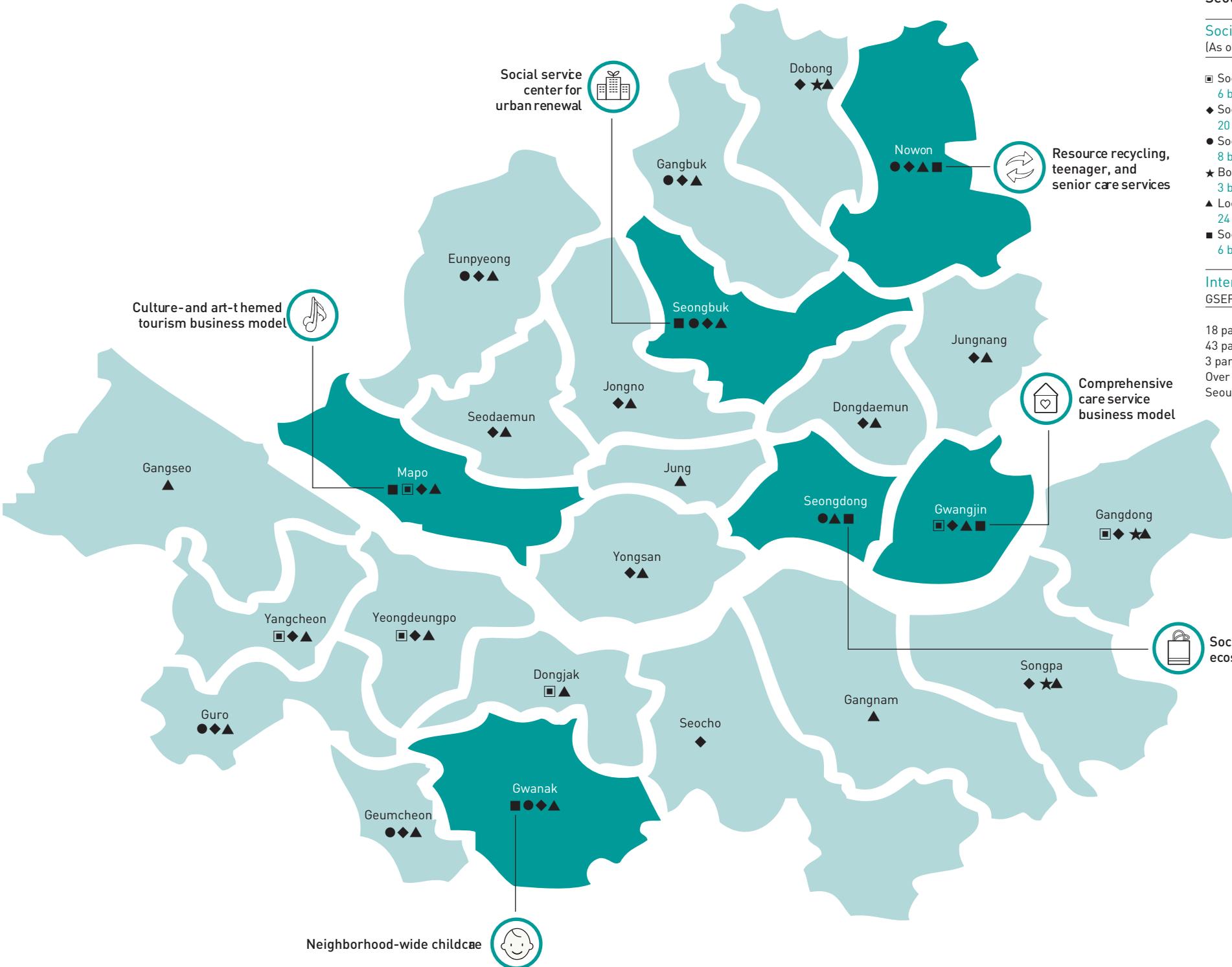
Seoul, a City with a Burgeoning Social Economy

Social economy networks in Seoul today  
(As of December 2015)

- Social economy ecosystem groups  
6 boroughs
- ◆ Social economy councils  
20 boroughs
- Social economy integrated support centers  
8 boroughs
- ★ Borough social economy support centers  
3 boroughs
- ▲ Local self-rehabilitation centers  
24 boroughs
- Social Economy Zones (preliminary)  
6 boroughs

International cooperation on social economy  
GSEF established in November 2014.

18 participating cities  
43 participating nongovernmental organizations  
3 participating international organizations  
Over 4,000 attendees  
Seoul as the first chair city.



Culture- and art-themed tourism business model



Social service center for urban renewal



Resource recycling, teenager, and senior care services



Comprehensive care service business model



Social fashion ecosystem



Neighborhood-wide childcafe





# Social Economy of Seoul

## Introduction

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The Korean social economy has grown at a remarkable pace over the last few years, attracting attention from around the world. The number of social economy enterprises, of which there were a mere 501 as of the end of 2010, has multiplied exponentially since the enactment of the Framework Act on Cooperatives (FAC) in 2012, reaching 11,421 (including 1,506 certified social enterprises, 8,551 cooperatives, and 1,364 community enterprises) as of the end of 2015. In other words, the social economy in Korea, measured in terms of the number of actors and enterprises involved, has multiplied by over 22 times in less than five years since the Korean government began to provide policy support. If we counted nonprofit corporations and organizations that strive to realize social values through economic activities, such as rehabilitation enterprises, rural community companies, and other enterprises catering to the employment of severely disabled persons, the scope of the social economy would grow even wider. Seoul alone is home to 23.2 percent of all Korean social economy enterprises (260 certified social enterprises, 2,267 cooperatives, and 119 community enterprises, total 2,646 enterprises), leading the development and progress of the social economy nationwide.

There may still be those who question the sustainability of this

rapidly growing economy. Nevertheless, the Korean social economy, particularly in Seoul, is attracting increasing attention from the international community. This is because the explosive growth of the Seoul social economy is one of the rare examples in which a long tradition of civil solidarity has combined successfully with governmental policy support in a productive synergy. The social economy of Seoul provides an exemplary case of multi-sectoral partnership, with the municipal government and local civil society working closely together throughout the entire process of social economy policy making and implementation from policy review to budget preparations. Since the early days of adopting its social economy policy, the Seoul Metropolitan Government (SMG) has emphasized the need to establish and consolidate a truly inclusive governance structure in which all types of social economy actors could participate. This focus has resulted in the formation of a thriving and expanding social economy ecosystem and infrastructure consisting of multiple public-private and private networks.

However, the long-term success and stability of these public and private efforts remains to be seen. Although it has grown outwardly at an astonishing pace since the announcement of the Comprehensive Social Economy Support Plan of the SMG in 2012, the Seoul social economy still faces multiple and mounting challenges that continue to arouse controversy. Will this new Seoul experiment ultimately be sustainable? What issues has the process of compressed and rapid growth of the social economy caused us to neglect? How should we make use of our experiences over the past four years to design the future of the local social economy five or 10 years down the road? These are the questions that keep Seoul's policymakers awake at night.

This report summarizes and explains the findings of the Study on the Social Economy Policies of the 25 Self-Governing Boroughs of Seoul, which the Karl Polanyi Institute Asia (KPIA) implemented in the first half of 2016 upon request from the Global Social Economy Forum (GSEF). The purpose of the study was to ascertain the current status of

social economy policy practices of the SMG and the 25 self-governing boroughs making up the city, and to assess the environment and issues surrounding the social economy in each borough. The goal was to research and analyze how the social economy model conceived by the SMG has been implemented in each borough and to what extent the social economy of Seoul has progressed.

This report also summarizes some of the major social economy policy initiatives in Seoul as well as a section of the results of an opinion poll. It would be a daunting task to provide a comprehensive and detailed evaluation and analysis of the entire social economy of Seoul. This study nonetheless provides a helpful overview of the main concerns and issues characterizing the Seoul social economy and related policy measures. Before we proceed to a detailed analysis, we need first to understand the basic structure and system of the social economy policy in Korea.

## Social Economy Policy in Korea

It was in the aftermath of the Asian financial crisis of 1997 that the concept of the social economy began to emerge in Korea as a possible policy solution to a number of social and economic problems, such as mass unemployment, poverty, and economic polarization. Policymakers and civil society alike began to regard the social economy as an alternative policy approach capable of solving two problems simultaneously, namely, providing employment and expanding the scope and reach of social services. The experience of self-rehabilitation communities (which have now evolved into rehabilitation enterprises), which began to create jobs and provide welfare benefits for the marginalized and the excluded in the late 1990s added intensity to the growing social discourse. The Korean government responded to this increasing society-wide attention to the social economy by enacting a number of statutes, including the Social Enterprise Promotion Act (SEPA) in 2007, the Community Business Promotion Project (CBPP) policy in 2011, and the FAC in 2012. The Ministry of Employment and Labor (MOEL), the Ministry of Strategy and Finance (MOSF), and the Ministry of the Interior (MOI) together set up 17 municipal and provincial intermediary agencies to support the establishment and growth of social economy enterprises.

### A. Scope of the social economy policy in Korea

The primary and direct subjects of the social economy policy in Korea are social enterprises, cooperatives, and community enterprises (Table 1).

Table 1. Scope of social economy policy in Korea

Type	Responsible ministry	Legal basis	Subcategory	Requirement
Social enterprises	MOEL	SEPA (since July 1, 2007)	Certified social enterprises	Government certification
			Social enterprises in the making	Government designation
Community enterprises	MOI	CBPP Enforcement Guidelines (since January 2011; updated annually)	N/A	Government designation
Cooperatives	MOSF	FAC (since December 1, 2012)	Social cooperatives	Government authorization
			General cooperatives	Report to government

Article 2.1 of the SEPA defines a social enterprise as an entity “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 manufacture or sale of goods and services.” As such, social enterprises differ from business enterprises in general in that the former emphasize social values over economic profits. “Certified social enterprises” are those which have met the qualifications for certification by the Minister of Employment and Labor. Organizations that have yet to meet

certification qualifications but which harbor prospects for becoming certified social enterprises are categorized as “social enterprises in the making” as designated by the heads of local governments or other central government agencies.

The MOEL provides labor cost and business development subsidies for social enterprises to support and strengthen their autonomy. There are mainly four types of subsidies, i.e. subsidies for job creation, the hiring of professional workforces, business development, and social insurance costs. Each eligible social enterprise may receive these subsidies for up to three years. The MOEL also provides other various forms of assistance, including education and consulting, assistance with the development of marketing channels, preferential purchases by public organizations, and tax exemptions and benefits (Table 2).

**Table 2. Fiscal support programs for social enterprises**

		Job creation/ labor cost subsidies	Labor cost subsidies for hiring professional workforces	Business development subsidies	Social insurance subsidies <sup>1)</sup>
Support	Certi- fied	Wages (based on minimum wage) + employ- ers' shares of social insurance costs	Up to KRW 2 mil- lion/month (for up to three employees)	Up to KRW 100 million/year	Employer's share of social insurance costs (for up to 50 employees)
	In the making		Up to KRW 2 mil- lion/month (for one employee only)	Up to KRW 50 million/year	N/A
Enterprise share in the cost		N/A	20, 30, or 50%	10, 20, or 30%	N/A
Contract term		1 year	1 year	1 year	N/A
Support duration	Certi- fied	Up to three years of the first five years since the enter- prise received initial assistance <sup>2)</sup>			Up to four years
	In the making	Up to two years of the first three years since the enter- prise received initial assistance			N/A

Source: MOEL (2016), p. 79.

The MOI defines a community enterprise as “a community-based enterprise which local residents create and operate in order to solve common local issues, create income and jobs, and realize the common good effectively by utilizing various locally available resources” (MOI 2016). The MOI receives applications for community enterprise assistance and selects and designates eligible community enterprises on an annual basis through campaigns and assessment processes at the level of cities, counties, and boroughs. Once designated as a community enterprise, the organization may receive up to KRW 80 million of assistance from the MOI, including business cost subsidies,

1) Social insurance cost subsidies are provided only for social enterprises that have not received labor cost subsidies.

2) The date of initial assistance refers to the date from which any particular enterprise began to receive the first of any kind of subsidy.

education, management consulting, marketing support, mentoring, and the like over a period of two years (Table 3).

**Table 3. CBPP**

	Year 1	Year 2
Amount of support	Up to KRW 50 million	Up to KRW 30 million
Eligibility	Community enterprises not receiving assistance from other governmental sources <sup>1)</sup>	Community enterprises that have maintained operations for at least one year since the start of Year 1.
Enterprises' share of cost	Capital investment matching 20% of the amount of subsidies provided.	

Source: MOI (2016), pp. 6-7.

A cooperative is defined in Article 2.1 of the FAC as “a business organization that intends to enhance its partners' rights and interests and thus contribute to local communities by being engaged in the cooperative purchasing, production, sales, and provision of goods or services.” A cooperative may be formed in any and every area of business or industry, except for that of finance and insurances.

In order to establish a cooperative, five or more incorporators (all members of the cooperative to be established) must gather together and submit their articles of association to the mayor or provincial governor of their respective jurisdiction. Types of cooperatives found in Korea include business owner cooperatives, consumer cooperatives, worker cooperatives, and multi-stakeholder cooperatives. Social cooperatives place primary emphasis on the realization of social values and ideals. Whereas cooperatives in general focus on maximizing the interests of members, social cooperatives must devote at least 40 percent of their main business activities to public interest and social

1) CBPP support is not available for community enterprises that are already receiving assistance and subsidies from other government programs, such as the MOI informatization village Program, MOEL assistance for social enterprises, and the Ministry of Agriculture, Food, and Rural Affairs (MAFRA) assistance program.

causes. A social cooperative is one that is created by five or more incorporators (members and multiple stakeholders) and approved by the head of a central government agency. Article 99 of the FAC exempts social cooperatives from all government charges except taxes imposed by the central and local governments. All cooperatives, including social cooperatives, are potential beneficiaries of governmental programs promoting the social economy, and may receive management consulting, education, and other forms of assistance.

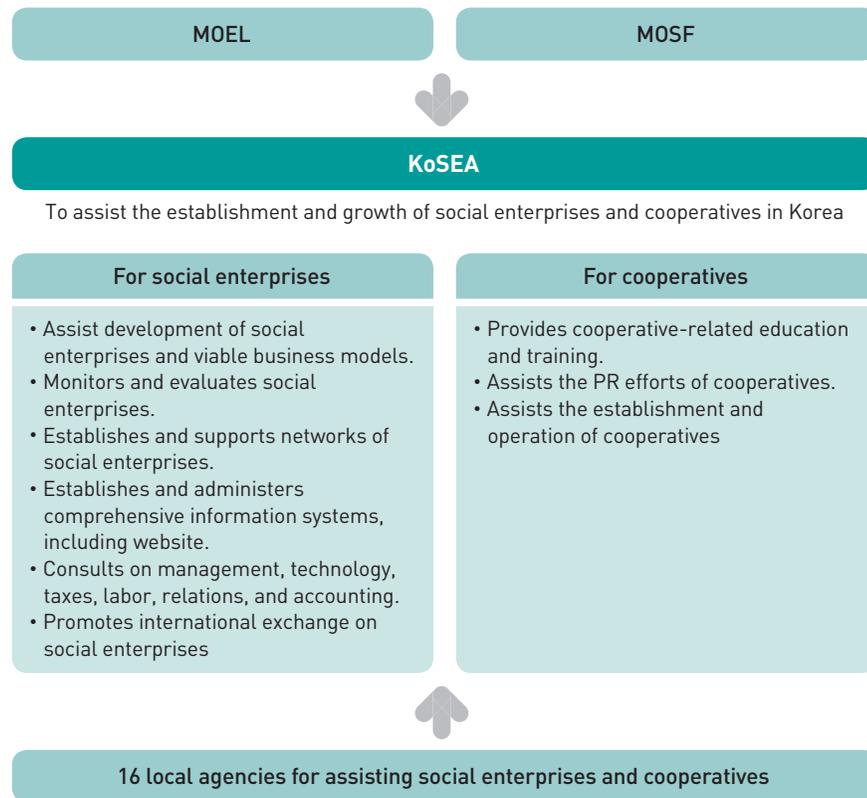
## B. Social economy policy implementing systems

Central government agencies, such as the MOEL, the MOSEF, and the MOI plan, devise, and implement nationwide policies on the social economy (including those for fostering social enterprises, cooperatives, and community enterprises). Local governments also play a variety of important roles in the system of social economy policy implementation in Korea.

As for social enterprises and cooperatives, the chief governmental agency in charge of executing policy programs is the Korea Social Economy Promotion Agency (KoSEA), established on December 31, 2010. KoSEA is a government-owned organization that was created to ensure the growth and promotion of social enterprises in Korea pursuant to Article 20 of the SEPA. The roles and functions of KoSEA include: assisting and educating aspiring social entrepreneurs; identifying and assisting viable social enterprise business models; monitoring and evaluating social enterprises; establishing and assisting networks of social enterprises; establishing and administering comprehensive information systems including websites; providing consultation on matters of management, technology, taxes, labor relations, and accounting; and promoting and supporting international exchange on social enterprises. Since the FAC came into effect on December 1, 2012, KoSEA has also promoted the autonomy of

cooperatives. It also manages assistance agencies in 16 cities and provinces across Korea to help cooperatives to acquire the certifications and licenses they require and to provide them with business consulting services.

[Figure 1] System for the implementation of social enterprise and cooperative assistance policies



There is no national statutory basis for assistance to community enterprises. Metropolitan and local governments handle the tasks of fostering and supporting these enterprises in accord with the basic plans and guidelines for assisting community enterprises devised by the MOI.

[Figure 2] System for the implementation of policy assistance for community enterprises



Source: MOI (2016), pp. 8-9.

### C. Social economy policy implementation system in Seoul

The SMG announced the launch of its social economy promotion policy in April 2012 with the release of the “Comprehensive Social Economy Support Plan for the Creation of a Sustainable Economic Ecosystem.” The most remarkable characteristic of the social economy policies of the SMG is that the entire process, from the making of policies to their execution, is governed by multi-sectoral partnership.

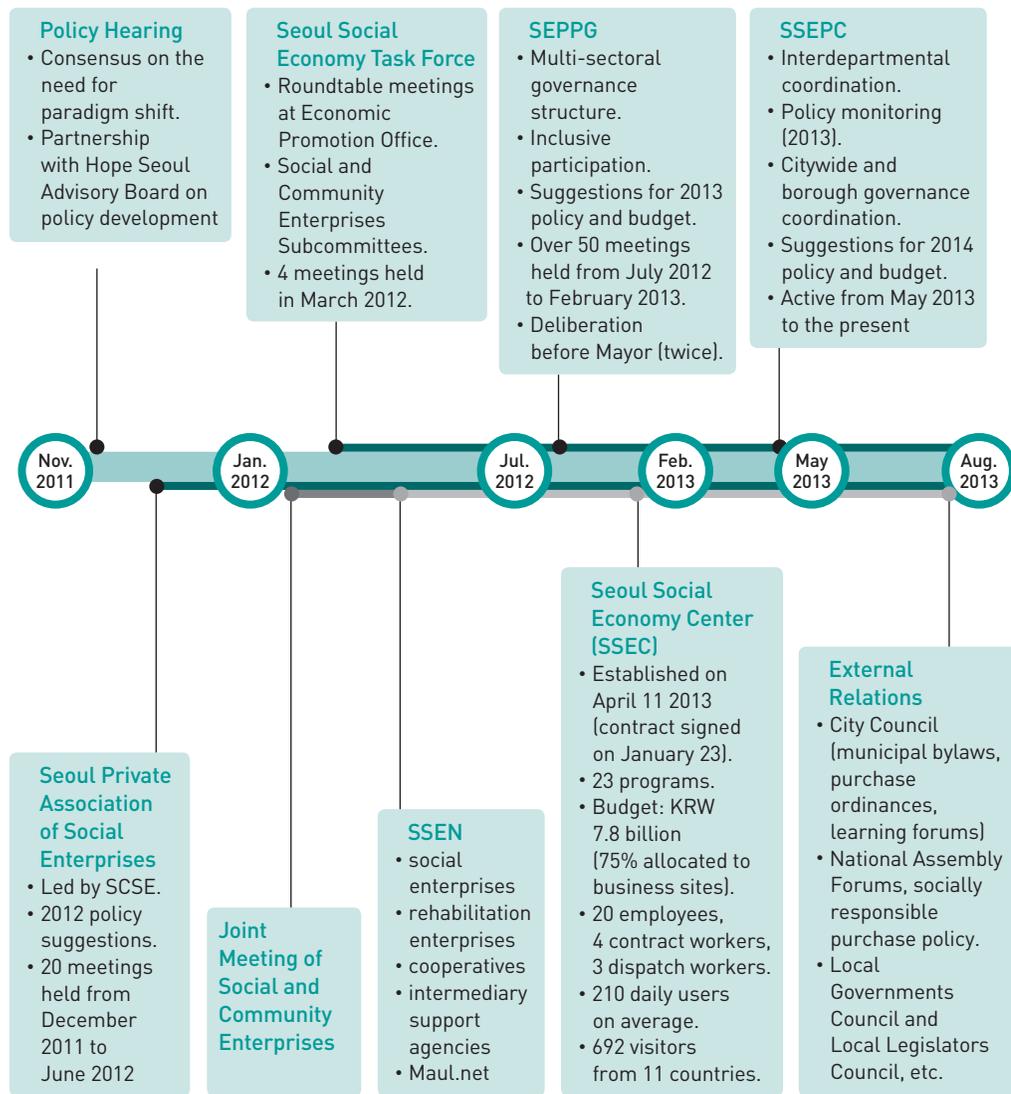
Since the election in October 2011 of Mayor Park Won-soon, a former civil activist, the SMG has worked to create an inclusive governance structure in which all interested parties are able to participate. The emergence of such a governance structure, consisting of multiple networks, represented a paradigm shift in social economy policy making from government to civil society, and from fostering individual enterprises to fostering a new ecosystem for the local social economy as a whole. Aiding this new experiment was the capability and competency of local civil society regarding the social economy, which has been growing since the late 1980s thanks to the activities of self-rehabilitation communities and other local civil movements. In July 2012, the Social Economy Policy Planning Group (SEPPG) was launched as the centerpiece of a multi-sectoral partnership on making and implementing social economy policies in Seoul. The group has since changed its name to the Seoul Social Economy Policy Council (SSEPC), and now performs a central role in making and implementing local social economy policies.

Social economy actors and citizens play much more than a mere advisory role in Seoul’s social economy policy making governance structure. The SSEPC has the power to devise and propose new policy initiatives of its own. The SMG accepts and actively works with civil society and the social economy as co-equal partners in producing and executing policy measures. The private social economy bears a much greater breadth of authority and accountability for policy outcomes under this governance structure (Kim, 2014). In other words, the social

economy policies of Seoul are not the exclusive property of the SMG but are the products of an active multi-sectoral partnership between the SMG and local civil society.

In December 2011, the Seoul Council of Social Enterprises (SCSE) launched the Seoul Private Association of Social Enterprises. In June 2012, the Seoul Social Economy Network (SSEN) was established. It encompasses social enterprises, rehabilitation enterprises, cooperatives, and other related organizations. Other private organizing initiatives followed suit, including the Seoul Community Enterprise Council in March 2013, the Seoul Regional Cooperative Association (SRCA) in June 2013, and the Seoul Community Business Association (SCBA) in April 2015. In addition to these networks of social economy actors and intermediary support agencies, borough- and industry-wide networks also began to emerge. Figure 3 illustrates the process that led to the formation of the multi-sectoral partnership on the Seoul social economy.

[Figure 3] Formation of the multi-sectoral partnership on the Seoul social economy



Source: Lee (2014).

## D. Policy development

After announcing its Comprehensive Social Economy Support Plan, the SMG set out to amend a number of municipal laws, including the Municipal Ordinances on Fostering Social Enterprises and on the Creation and Administration of the Social Investment Fund, as well as enacting new laws, including the Municipal Ordinances on Supporting Cooperatives and other related projects. In May 2014, following the enactment of the Basic Municipal Ordinance on the Social Economy, the SMG completed a comprehensive system of support for the social economy, extending to the formation of a new business ecosystem and international relations. There are currently 52 municipal ordinances, including six citywide ones and 46 borough-specific ones, which provide the statutory basis for the social economy policies of the SMG and local boroughs.

Table 4. Municipal ordinances on the Seoul social economy

Effective as of	Title
May 28, 2009	Municipal Ordinance on Fostering Social Enterprises
July 30, 2012	Municipal Ordinance on the Creation and Administration of the Social Investment Fund
November 1, 2012	Municipal Ordinance on Fostering and Upholding Fair Trade
March 28, 2013	Municipal Ordinance on Supporting Cooperatives
March 20, 2014	Municipal Ordinance on Public Purchases and Marketing Support for the Products of Social Economy Organizations
May 14, 2014	Basic Municipal Ordinance on the Social Economy

**Table 5. Borough-by-borough implementation of municipal ordinances on the Seoul social economy**

Municipal ordinance	Number of participating boroughs	Participating boroughs
Basic Municipal Ordinance on the Social Economy and other municipal ordinances in support of the social economy	12	Gangdong-gu, Gangbuk-gu, Guro-gu, Geumcheon-gu, Dobong-gu, Dongjak-gu, Seodaemun-gu, Seongdong-gu, Seongbuk-gu, Yeongdeungpo-gu, Eunpyeong-gu, and Jongno-gu
Municipal Ordinance on Fostering Social Enterprises	21	Gangnam-gu, Gangbuk-gu, Gangseo-gu, Gwanak-gu, Gwangjin-gu, Guro-gu, Geumcheon-gu, Nowon-gu, Dobong-gu, Dongdaemun-gu, Dongjak-gu, Mapo-gu, Seodaemun-gu, Seocho-gu, Seonbuk-gu, Songpa-gu, Yangcheon-gu, Yongsan-gu, Eunpyeong-gu, Jung-gu, and Jungnang-gu
Municipal Ordinance on Supporting Cooperatives	6	Gangdong-gu, Nowon-gu, Dongjak-gu, Seodaemun-gu, Seongbuk-gu, and Jungnang-gu
Municipal Ordinance on Public Purchases and Marketing Support for the Products of Social Economy Organizations	4	Dobong-gu, Mapo-gu, Seodaemun-gu, and Seongbuk-gu
Municipal Ordinance on Fostering and Upholding Fair Trade	1	Seongbuk-gu
Municipal Ordinance on the Creation and Administration of the Social Economy Fund	1	Seongdong-gu
Municipal Ordinance on Local Community Cooperation and Support against Gentrification	1	Seongdong-gu

Pursuant to the Basic Municipal Ordinance on the Social Economy and the Municipal Ordinance on Supporting Cooperatives, the

SMG has launched the Seoul Social Economy Center (SSEC) and the Seoul Cooperative Support Center (SCSC) as intermediary agencies coordinating and organizing the relations among the SMG, borough offices, social economy organizations and networks. Table 6 summarizes the roles and functions of these intermediary agencies. The major municipal ordinances, intermediary support organizations, and public-private and private initiatives that have emerged in Seoul since the enactment of the SEPA are listed in Table 7.

**Table 6. Intermediary support agencies for the social economy in Seoul**

	For social and community enterprises	For cooperatives
Name	SSEC	SCSC
Grounds	Article 10, Basic Municipal Ordinance on the Social Economy	Article 8, Municipal Ordinance on Supporting Cooperatives
Managing organization	SSEN	SRCA
Established	April 11, 2013	March 21, 2014
Location	Seoul Innovation Park 1-dong, Eunpyeong-gu, Seoul (906 sqm)	1F, Seoul Innovation Park 1-dong, Eunpyeong-gu, Seoul (36.8 sqm)
Facilities	A café-styled open office, Common Education Center, Social Economy Shop, Pro Bono office, etc.	A consulting room and an office space
Role	Serving as the hub of the social economy ecosystem and networks in Seoul.	Providing specialized support for cooperatives in Seoul.
Staff	21 full-time employees	8 full-time employees

Functions	<ul style="list-style-type: none"> <li>▶ Creating networks: <ul style="list-style-type: none"> <li>• organizing joint support projects, operating a social economy hub, etc.</li> </ul> </li> <li>▶ Fostering a social economy ecosystem: <ul style="list-style-type: none"> <li>• running a joint purchase assistance center, developing franchise models, providing management assistance throughout growth process, etc.</li> </ul> </li> <li>▶ Developing human resources: <ul style="list-style-type: none"> <li>• developing capacity building roadmaps and training materials, assisting learning groups, etc.</li> </ul> </li> <li>▶ Developing policies: <ul style="list-style-type: none"> <li>• statistics and data management, analyses, research, etc.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Providing consulting and basic training: <ul style="list-style-type: none"> <li>• on establishment and operation of cooperatives.</li> <li>• providing cooperatives education and training (inside SCSC or at cooperatives).</li> </ul> </li> <li>▶ Supporting establishment and operation of cooperatives: <ul style="list-style-type: none"> <li>• providing necessary training for establishment of cooperatives.</li> <li>• providing specialized training and education on potential issues.</li> <li>• providing consulting and advice on establishment and operation.</li> </ul> </li> <li>▶ Supporting public and external relations: <ul style="list-style-type: none"> <li>• developing and administrating SCSC website, blog, Facebook account, etc.</li> </ul> </li> </ul>
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Source: Social Economy Division of the SMG (2016), internal documents.

**Table 7. Evolution of the Seoul social economy policy**

Date	Event
May 28, 2009	Municipal Ordinance on Fostering Social Enterprises enacted and put into effect.
July 1, 2009	Seoul-Style Social Enterprise Fostering Plan announced.
October 19, 2009	Free-of-charge consulting service for social enterprises launched.
October 26, 2011	Park Won-soon elected as Mayor of Seoul.
November 2011	Social economy policy hearings held.
December 6, 2011	Private Association of Social Enterprises of Seoul launched.
January 2, 2012	Social Economy Division created as part of Employment Planning Group of Economic Promotion Office (directly reporting to Vice-Mayor I of Administration).
April 5, 2012	Comprehensive Social Economy Support Plan for the Creation of a Sustainable Economic Ecosystem announced (updated annually ever since).

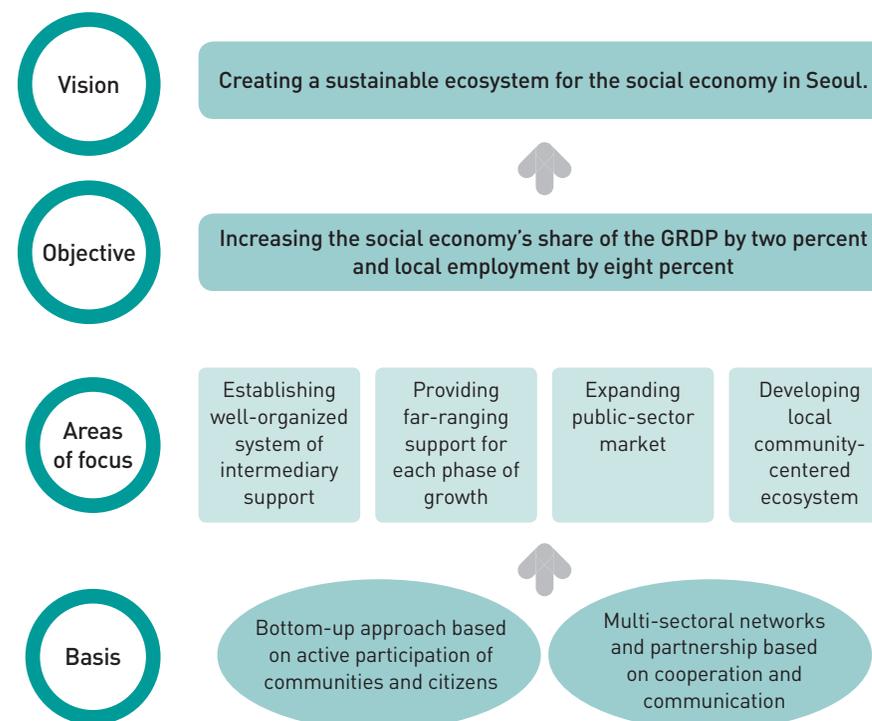
June 2012	First public project for creating a social economy ecosystem launched.
June 14, 2012	SSEN established.
July 2012	SEPPG launched (present-day SSEPC).
July 7, 2012	“Vision for Seoul: a Capital City of Cooperatives” announced.
July 30, 2012	Municipal Ordinance on the Creation and Administration of the Social Investment Fund enacted and put into effect.
November 1, 2012	Seoul Cooperatives Consulting Centers launched into operation (at four locations).
November 1, 2012	Municipal Ordinance on Fostering and Upholding Fair Trade enacted and put into effect.
February 13, 2013	Basic Plan on Supporting Cooperatives announced.
March 8, 2013	Seoul Community Enterprise Council established.
March 28, 2013	Municipal Ordinance on Supporting Cooperatives enacted and put into effect.
April 11, 2013	SSEC launched into operation (officially established on January 23, 2013).
June 27, 2013	SCLC established.
November 5-7, 2013	Global Social Economy Forum (GSEF) 2013 organized.
February 1, 2014	Seoul Cooperatives Consulting Centers merged into a single center (SCCC).
March 20, 2014	Municipal Ordinance on the Public Purchases and Marketing Support for the Products of Social Economy Organizations enacted and put into effect.
March 21, 2014	SCCC (present-day SCSC) launched into operation.
May 14, 2014	Basic Municipal Ordinance on the Social Economy enacted and put into effect.
November 19, 2014	GSEF established as a permanent organization.
April 25, 2015	Seoul Community Business Association (SCBA) established.
May 19, 2015	General Plan for Centralized Borough-Level Support System developed.

July 2015	Seoul Integrated Borough-Level Social Economy Support Center launched into operation.
July 3, 2015	Seoul Public Purchases MOU and Core Public Purchase Strategy announced.
July 17, 2015	Social Economy Zone Development Project Plan established (2015-2018).
August 2015	Borough-Level Social Economy Incubating Program launched.
August 23, 2015	Intermediary support agency for community enterprises changed (from Community Enterprise Project Group to SSEC).
October 21-23, 2015	Socially Responsible Public Procurement Fair organized.

### E. The social economy in Seoul today

Since announcing its first Comprehensive Social Economy Support Plan in 2012, the SMG has updated the Plan each year in order to incorporate the latest trends and issues into its assistance programs. Aspiring toward creating a sustainable ecosystem for the social economy, the Plan represents a shift of focus from individual enterprises to the entire social economy ecosystem as the target of policy assistance. According to this Plan, the SMG has identified four areas of focus, namely establishing a well-organized system of intermediary assistance, providing far-ranging assistance for each phase of the enterprise's growth phase, expanding the public-sector market, and developing a local community-centered ecosystem for enterprises, as well as 21 specific tasks to be achieved by policy assistance and measures. The SMG is currently developing a 'Seoul Social Economy Foundation Plan'.

[Figure 4] Overarching mission and core objectives of the Seoul social economy policy



Source: SMG (2012)

There were 2,819 social economy enterprises in Seoul as of the end of 2015, including 433 social enterprises (15.4%, 260 certified social enterprises, 173 social enterprises in the making), 2,267 cooperatives (80.4%), and 119 community enterprises (4.2%). The number of cooperatives has multiplied exponentially since the enactment of the FAC in 2012.

Table 8. Distribution of social economy organizations in Seoul

(As of the end of 2015, unit : number of enterprises)

Social enterprises	Cooperatives	Community enterprises	Total
433	2,267	119	2,819

Source: Social Economy Division of the SMG (2016), internal documents.

[Figure 5] Annual growth of the social economy in Seoul

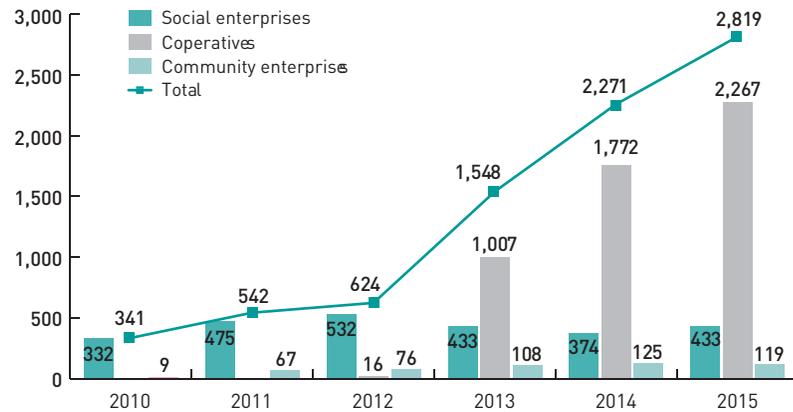


Table 9. Annual increase in the number of social economy organizations in Seoul

(As of the end of each year, unit : number of enterprises)

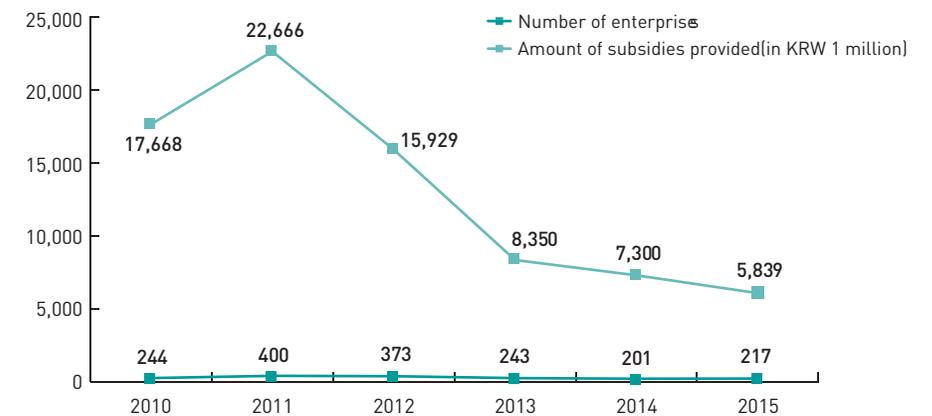
Year	Social enterprises	Cooperatives	Community enterprises	Total
2010	332	N/A	9	341
2011	475	N/A	67	542
2012	532	16	76	624
2013	433	1,007	108	1,548
2014	374	1,772	125	2,271
2015	433	2,267	119	2,819

Source: Social Economy Division of the SMG (2016), internal documents.

From 2010 to 2015, 1,678 social economy organizations benefited from labor cost subsidy programs, which paid for the wages of a total of 13,604 new employees and a total social insurance cost of KRW 79,020 million. The number of beneficiary organizations spiked by 164 percent between 2010 and 2011, but decreased by seven percent and 35 percent respectively in the ensuing two years. This reflects the fact

that these subsidies are provided for up to three years in the case of certified social enterprises, and for up to two years in the case of social enterprises-in-the-making.

[Figure 6] Labor cost subsidies for social enterprises in Seoul(2010 - 2015)



**Table 10. Labor cost subsidies for social enterprises in Seoul**

(As of the end of each year, unit : number of enterprises(persons), 1 million KRW)

Year	Total		Certified social enterprises		Social enterprises in the making		Seoul-type social enterprises	
	Enterprises (Persons)	Amount	Enterprises (Persons)	Amount	Enterprises (Persons)	Amount	Enterprises (Persons)	Amount
Total	1,678 (13,604)	79,020	460 (3,240)	23,181	225 (967)	6,536	993 (9,397)	49,306
2010	244 (2,543)	17,668					244 (2,543)	17,668
2011	400 (3,534)	22,666	29 (431)	1,881	6 (51)	185	365 (3,052)	20,560
2012	373 (4,038)	15,929	77 (715)	5,417	28 (227)	1,177	268 (3,096)	9,335
2013	243 (1,445)	8,350	88 (578)	5,240	39 (161)	1,410	116 (706)	1,743
2014	201 (1,138)	7,300	125 (842)	5,475	76 (296)	1,825		
2015	217 (906)	7,107	141 (674)	5,168	76 (232)	1,939		

Source: Social Economy Division of the SMG (2016), internal documents.

Business development subsidies, which are provided to enable social enterprises to research and develop technologies, enter markets, and pioneer new marketing and sales channels, were provided for 868 enterprises in total for five years between 2010 and 2015. These subsidies, totaling KRW 11,832 million, were also available for up to three years in the case of certified social enterprises and for up to two years in the case of social enterprises-in-the-making.

- 1) Since 2011, the MOEL has delegated subsidy program for social enterprises to local governments.
- 2) Subsidies for social enterprises in Seoul came to an end in 2013.

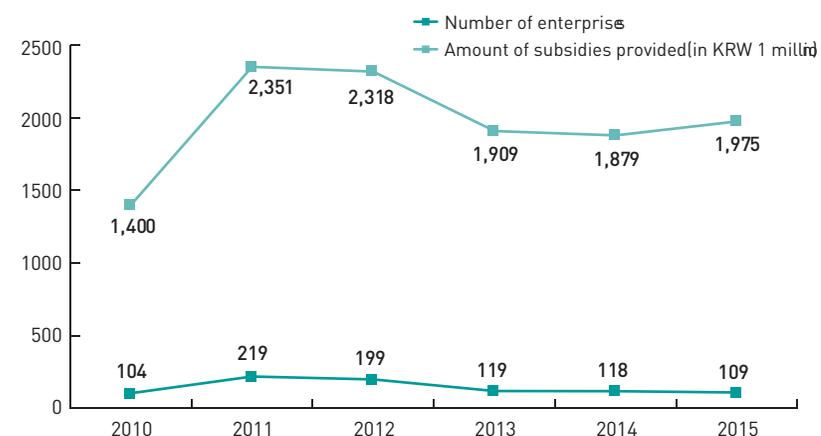
**Table 11. Business development subsidies for social enterprises in Seoul**

(As of the end of each year, unit : number of enterprises, 1 million KRW)

Year	Total		Certified social enterprises		Social enterprises in the making		Seoul-type social enterprises	
	Enterprises	Amount	Enterprises	Amount	Enterprises	Amount	Enterprises	Amount
Total	868	11,832	340	5,645	218	3,011	310	3,176
2010	104	1,400	17	390	17	249	70	761
2011	219	2,351	53	642	17	218	149	1,491
2012	199	2,318	82	1,054	34	455	83	809
2013	119	1,909	65	1,232	46	562	8	115
2014	118	1,879	67	1,208	51	671		
2015	109	1,975	56	1,119	53	856		

Source: Social Economy Division of the SMG (2016), internal documents.

**[Figure 7] Business development subsidies for social enterprises in Seoul (2010-2015)**



In the meantime, the SMG has continued to provide up to KRW 100 million in business development and labor cost subsidies for each

eligible innovative social enterprise, for a maximum period of one year, since 2012. An innovative social enterprise refers to a social enterprise that focuses on developing and providing innovative solutions to social problems in Seoul. The SMG has identified five core areas in need of such solutions (i.e. welfare, economy, culture, safety and sustainability, and civic participation) and assists social enterprises that develop these solutions through innovative business models. The SMG has provided KRW 3,969 million in total for 99 such innovative social enterprises so far.

**Table 12. Subsidies for innovative social enterprises in Seoul**

[As of the end of each year, unit : number of enterprises, 1 million KRW]

	Total		Certified social enterprises		Social enterprises in the making	
	Enterprises	Amount	Enterprises	Amount	Enterprises	Amount
Total	99	3,969	43	1,833	56	2,136
2012	25	750	7	210	18	540
2013	27	1,166	11	430	16	736
2014	21	1,026	11	554	10	472
2015	26	1,027	14	639	12	388

Source: Social Economy Division of the SMG (2016), internal documents.

The SMG also provides business cost and space lease subsidies for community enterprises. A community enterprise that meets the eligibility criteria (e.g. utilizing local resources, creating jobs for locals, contributing to the local economy, etc.) can receive up to KRW 80 million from the MOI, the SMG, and the borough office in subsidies for its business costs. Between 2010 and 2015, the SMG supported 192 community enterprises for a total of KRW 7.645 billion.

The SMG helped community enterprises to lease their work spaces by providing each eligible enterprise with up to KRW 100 million

(from 2012 to 2013, or KRW 80 million beginning in 2014) needed for lease deposits. This program officially ended in 2014 with beneficiary organizations required to return lease deposits to the city in five years. In 2012 through 2014, the SMG provided a total of KRW 3.842 billion for the lease deposits of 44 community enterprises.

**Table 13. Business costs and lease subsidies for community enterprises in Seoul (2010-2015)**

[As of the end of each year, unit : number of enterprises, 1 million KRW]

	Business cost				Lease deposits	
	Number of enterprises			Total amount (national, SMG, borough)	Enterprises	Amount (SMG)
	Total	New	Extended			
Total	192	126	66	7,645	44	3,842
2010	9	9	0	604		
2011	66	60	6	2,754		
2012	53	12	41	1,774	8	800
2013	30	24	6	1,179	24	2,244
2014	25	15	10	944	12	798
2015	9	6	3	390		

Source: Social Economy Division of the SMG (2016), internal documents.

## Local Social Economic Ecosystem Development Project(LSEEDP)

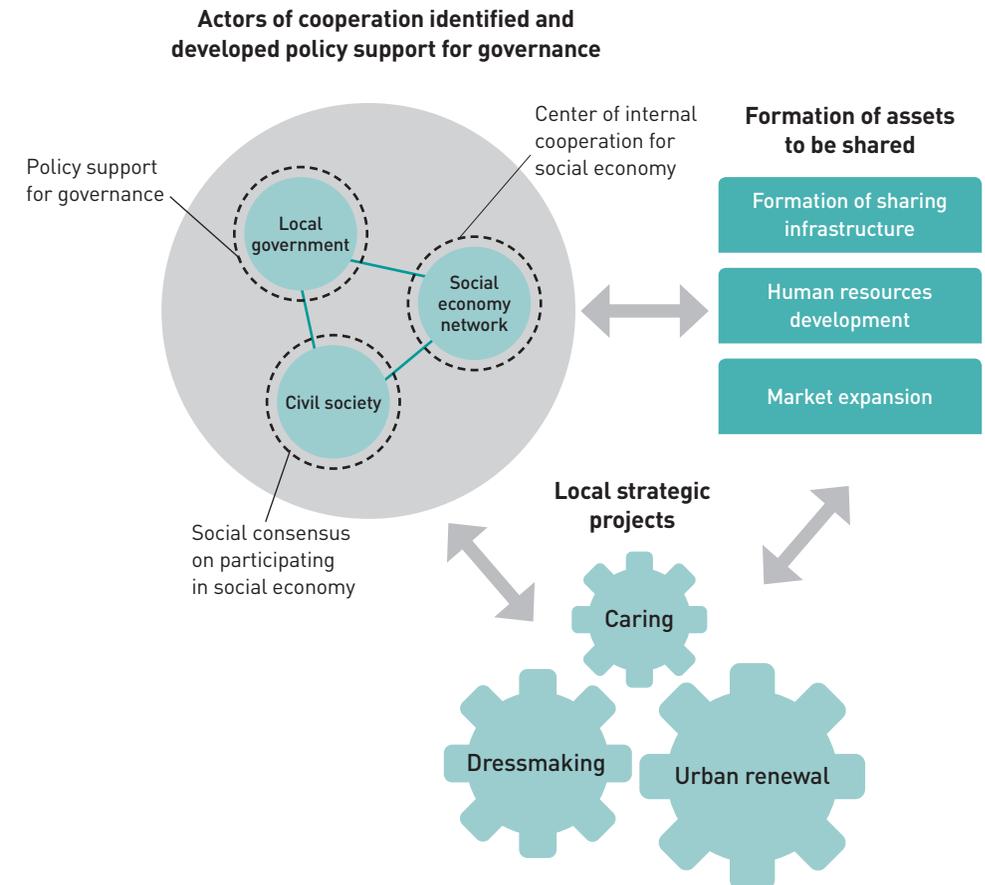
Since the announcement of the Comprehensive Social Economy Support Plan, borough offices in Seoul have been leading the effort to create and foster a social economy system in the city. The Local Social Economic Ecosystem Development Project (LSEEDP) represents Seoul's distinctive strategy for localizing, and thereby enhancing the sustainability of the social economy.

As Figure 8 shows, the main tasks of the LSEEDP are developing social economy actors, building local resources for sharing, and implementing locally tailored strategic projects. The goals are to strengthen internal cooperation and networking among actors of the local social economy, and thereby to induce a healthy and thriving social economy ecosystem based on their cooperation. Local strategic projects are intended to ensure the embedding of the social economy in local communities.

Accordingly, the SMG received applications from each borough for the LSEEDP every year, and supported selected ideas for the LSEEDP for three years via local social economy ecosystem groups, which were civil society partners in charge of forming a social economy ecosystem at borough level. As a result, social economy councils or committees were formed in 20 out of 25 boroughs in Seoul, resulting

in the formation of systematic partnerships between borough offices, civil society, and social economy networks and actors. At present, there are 17 boroughs participating in the LSEEDP. Six of these participating boroughs operate their own social economy ecosystem groups, while eight boroughs provide integrated support centers.(As of end of 2015)

[Figure 8] LSEEDP overview



Source: SSEC (2016).

## A. Supporting the establishment of integrated support systems for social economy in boroughs

In May 2015, the SMG announced another project for assisting the establishment of integrated support systems for social economy in the boroughs in an effort to continue the success and accomplishments of the LSEEDP, which was scheduled to come to a close. Through this new project, boroughs whose participation in the LSEEDP was scheduled to end would establish new integrated support centers for managing local strategic projects, incubating the social economy, boosting local cooperatives, and fostering neighborhood economic activities.

According to the general plan for the project, the SMG would assist each participating borough for five years in order to establish integrated support centers with the goals of developing a borough level social economy and enhancing the autonomy of the boroughs. In the first phase of the project, social economy ecosystem groups would be formed to develop and improve the capabilities of civil society. In the second phase, social economy ecosystem groups that proved their qualifications would be given assistance to evolve into central support systems for the social economy in the boroughs. The SMG would also receive suggestions for fostering the social economy each year, and choose appropriate borough centers to receive assistance for social economy incubating projects, the development of specialized models of social economy, the development of marketing channels as well as PR, training and education, and consulting (Figure 9).

[Figure 9] Roadmap for establishing integrated support centers for social economy in boroughs

	Multi-sectoral partnership capability building (Phase 1)			Integrated support (Phase 2)	
	Year 1	Year 2	Year 3	Year 1	Year 2
<b>LSEEDP</b>	<ul style="list-style-type: none"> <li>• Boost civil society capabilities and networks.</li> <li>• Run social economy ecosystem groups for boroughs.</li> <li>• Implement requirements on partnership between boroughs, civil society and private sector.</li> </ul> <p>* Existing social economy ecosystem groups to retain the same budget.</p>			<ul style="list-style-type: none"> <li>• Establish integrated support centers for boroughs.</li> <li>• Support boroughs' projects for fostering social economy.</li> <li>• Support centers to be run by private entities.</li> <li>• Require boroughs to match resources supporting centers.</li> </ul>	
	Max. KRW 100 mil.	Max. KRW 150 mil.	Max. KRW 200 mil.	Max. KRW 200 million (support to be renewed annually based on performance review).	
<b>Borough social economy fostering projects</b>	<ul style="list-style-type: none"> <li>• Support projects for incubating local social economy, local strategic projects, boosting local cooperatives, fostering neighborhood economic activities, etc.</li> </ul>				
	Max. KRW 100 mil.	Max. KRW 100 mil.	Max. KRW 100 mil.		

Source: Social Economy Division of the SMG (2015).

**Table 14. Establishing integrated support centers for social economy in the boroughs: overview**

Type Criterion	Ecosystem groups	Integrated support centers	Borough projects
Objective	To establish and operate groups, led by civil society, in charge of fostering social economy in boroughs.	To establish and operate intermediary support agencies providing comprehensive support for local social economy based on multi-sectoral partnership.	To support borough initiatives for supporting local social economy.
Support duration	Up to three years (to be renewed each year)	Up to two years (to be renewed each year)	One year
Eligibility	Boroughs that have not previously participated in social economy ecosystem group support project.	Boroughs whose social economy ecosystem groups have ended or are about to end (in three months).	All 25 boroughs.
Selection process	Applications received and reviewed.	Applying boroughs to be evaluated in terms of validity of project proposals and ability.	Applications received and reviewed.
Budget limits and details	Group operation: KRW 100 million in year 1; KRW 150 million in Year 2; and KRW 200 million in year 3. (Budgets to be spent on researching and developing local resources, identifying and organizing local actors, launching trial projects, and strengthening networking and cooperation among all parties involved.)	Center operation: KRW 100 million in each of the two years. (Budgets to be spent on developing borough strategies and monitoring their implementation, assisting public purchases and mutual transactions, providing basic education and consulting, organizing cooperation among boroughs, and supporting each borough's own projects.)	Fostering the social economy: Up to KRW 80 million. (Budget to be spent on developing locally specialized models of social economy, supporting fair trade, supporting interdepartmental policy projects, and supporting projects on urban renewal, social housing, care, culture and education, local funds, etc.)

Budget limits and details	Incubating/accelerating: KRW 50 million in year 1; KRW 40 million in year 2. (Budgets to be spent on consulting and assisting social enterprises/community enterprises/cooperatives, providing management support, developing models of collaborative projects, and fostering neighborhood economies.)		
Leading actors	Civil society	Civil society	Boroughs/civil society
Matching required	None	15% of assistance provided by SMG	None

Source: Social Economy Division of the SMG (2016a).

Today, there are six boroughs participating in Phase 1, or operating social economy ecosystem groups. Four of these boroughs are in their second year of receiving assistance, while the other two are in their third year. Of the nine boroughs that have graduated from Phase 1, eight are continuing with the project with integrated support centers (Table 15). These 14 boroughs have launched 51 local initiatives so far, inviting 383 organizations to participate in the organization and implementation of those initiatives (Table 16). Nine of the 14 boroughs have also converted their support organizations into social cooperatives emulating the example of Quebec's Regional Development Cooperative (CDR). These organizations focus on fostering the social economy at the borough level by actively developing new models and initiatives to be tried and by providing support as intermediary organizations.

Table 15. Integrated support centers for social economy in the boroughs of Seoul: Progress

(As of December, 2015)

Boroughs (gu)	Social economy ecosystem groups			Integrated centers	Social economy incubating
	Year 1	Year 2	Year 3	Year 1	
Gangnam					×
Gangdong			→		○
Gangbuk				→	○
Gangseo					○
Gwanak				→	○
Gwangjin		→			○
Guro				→	○
Geumcheon				→	○
Nowon				→	○
Dobong					×
Dongdaemun					○
Dongjak		→			○
Mapo			→		○
Seodaemun					○
Seocho					×
Seongdong				→	○
Seongbuk				→	○
Songpa					○
Yangcheon		→			○
Yeongdeungpo		→			○
Yongsan					○

Eunpyeong				→	○
Jongno					○
Jung					○
Jungnang					○
<b>Total</b>		<b>4</b>	<b>2</b>	<b>8</b>	<b>22</b>

Source: Social Economy Division of the SMG (2016a).

Table 16. Main issues on the agendas of the social economy ecosystem groups of 14 boroughs

(As of December 2015)

Borough (gu)	Group name	No. of issues	No. of participating organizations	Issues
Gwanak	Gwanak Social Economy Ecosystem Group	5	18	Medical care, solar energy, childcare, housing support for youth, care service for seniors
Geumcheon	Geumcheon Local Social Economy Specialization Group	3	37	Architecture, dressmaking, care
Seongbuk	Seongbuk Social Economy Support Group	3	22	Community funds, urban renewal, care
Eunpyeong	Eunpyeong Social Economy Ecosystem Group	4	22	Tourism, Imagination School, free semesters, social housing
Gangbuk	Gangbuk Social Economy Support Group	4	27	Resource cycle, food, housing welfare, school uniform production
Guro	Guro Local Social Economy Specialization Group	2	15	School cooperative, urban renewal

Nowon	Nowon Social Economy Fostering Group	4	29	Renewal, teenagers, care service for seniors, food
Seongdong	Seongdong Cooperative Social Economy Promotion Group	4	18	Care, medical care, dressmaking and fashion, market expansion
Gangdong	Gangdong Local Social Economy Ecosystem and Specialization Group	3	48	Urban renewal, culture and art, school cooperative
Mapo	Mapo Social Economy Ecosystem Group	4	52	Culture and art, neighborhood cafes, care, clustering
Gwangjin	Gwangjin Social Economy Ecosystem Group	4	44	Care, education, neighborhood currency, culture and art
Dongjak	Dongjak Cooperative Economy Support Group	2	7	Community financing, youth
Yangcheon	Yangcheon Social Economy Support Group	2	11	Food, childcare for infants and toddlers
Yeongdeungpo	Yeongdeungpo Social Economy Ecosystem Group	7	33	Care service for seniors, culture and art, jobs for the disabled, childcare for infants and toddlers, after-school neighborhood care, teenagers, urban farming
		<b>51</b>	<b>383</b>	

Source: Social Economy Division of the SMG (2016).

## B. Creating Social Economy Zones

The Social Economy Zone (SEZ) Development Project allows each borough to identify and make strategic use of local resources available for sharing in order to solve local problems through local cooperation. The SMG provides budgetary assistance for inclusive and participation-oriented projects that are tailored to the specific needs and issues of boroughs. Borough offices or councils of multiple districts implement the projects. In order to receive assistance from the SMG, which will total KRW 500 million for three years for each project, each borough or joint district council must carry out its project for at least six months in a preliminary phase, and pass the SMG review process. With the goal of developing 12 SEZs in Seoul by 2018, the SMG initially chose six boroughs in August 2015.

[Figure 10] SEZ Development Project overview



Table 17. SEZ projects in the preparatory phase

Borough	Project title	Features
Gwanak	Neighborhood Childcare Project	Holding meetings with local residents, surveying local demand, designing neighborhood childcare hubs, implementing trial projects.
Gwangjin	Social Care Service Cluster Project	Operating a task force on developing a social service cluster, designing social service cluster products.

Nowon	Establishing local project organization for resource cycling, etc.	Surveying conditions for cotton diaper washing service, organizing the sharing of school uniforms, providing internship opportunities for teenagers to work in social economy organizations.
Mapo	Developing a new business model for culture- and art-themed tourism	Surveying demand among local artists, residents and merchants; organizing joint workshops; operating trial Culture and Art Open School.
Seongdong	Social Fashion Ecosystem Development Project	Surveying conditions and demand for local fashion and dressmaking industries; operating trial neighborhood workshops.
Seongbuk	Local Social Service Center	Surveying local resources and opinions, implementing trial housing renovation consultation service, developing actors in charge of the center.

Source: Social Economy Division of the SMG (2016b)

## Infrastructure for the Social Economy in Seoul

Market formation, business services, human resource development and research, and financing are the main aims and concerns that require extensive sharing of resources and infrastructure in Seoul. This section summarizes the production, sharing and utilization of resources found, as described in the business reports of the intermediary organizations, SCSC and SSEC.

### A. Market and distribution channels for social economy organizations

Efforts by the SMG to foster and expand the market and distribution channels for social economy organizations include increasing public purchases of the products of these organizations, and providing assistance for the development of marketing channels. Since 2012, the SMG has encouraged and required purchases of social economy organizations' products by public organizations. The enactment of the Municipal Ordinance on Public Purchases and Marketing Support for the Products of Social Economy Organizations by the Seoul Metropolitan Council in March 2014 has further paved the way for

increasing stability of these organizations. In July 2015, the SMG, the Seoul Metropolitan Office of Education, the Council of Seoul Borough Office Chiefs, the Seoul Social Economy Council, and other public and civic actors gathered together to sign and adopt the Memorandum of Understanding on Public Procurements Promoting Social Values, promising to increase cooperation in fostering the public procurement market. The MOU embodied the parties' resolve to increase sales by social economy organizations within the public procurement market, and thereby to enhance their ability to enter the general market. In addition, the SMG launched a website specializing in the introduction and sale of social economy products, as well as creating a permanent offline market and supporting the entry of these products into large department stores.

**Table 18. Public purchases of social economy products in Seoul**

(in KRW 1 billion)

Year	Total price	Goods	Services	Other
2012	62.2	43.6 (68.8%)	15.8 (25.8%)	2.8 (5.4%)
2013	62.2	45.2 (73%)	14.5 (23%)	2.5 (4%)
2014	67.9	47 (70%)	10.5 (15%)	10.4 (15%)
2015	67.8	46.8 (69%)	18.1 (27%)	2.9 (4%)

Source: Social Economy Division of the SMG (2016), internal documents.

**Table 19. Hamkke Nuri Mall (online shop for Social Enterprises) overview**

Year	Total sales (in KRW 1 million)	No. of enterprises	No. of goods featured	Remark
2013	110	96	695	When it still operated as "Sapphire Mall."
2014	123	178	2,007	After redevelopment as "Hamkke Nuri Mall."
2015	620	272	2,250	

Source: Social Economy Division of the SMG (2016), internal documents.

**Table 20. Support for increasing marketing channels**

Year	No. of participating enterprises	Total sales (in KRW 1 billion)	Budget (in KRW 1,000)	Remark
2013	1,115	62.685	83,560	For public purchases, Handmade Fair, and permanent market.
2014	1,640	68.692	333,937	For public purchases, Handmade Fair, and permanent market.
2015		1.013		For permanent market and entry into department stores.

Source: Social Economy Division of the SMG (2016), internal documents.

## B. Business services

There are primarily two types of business-related services that the SMG provides for social economy organizations. One involves routine management support and consulting provided by intermediary support organizations. The other involves making available the spaces that organizations need.

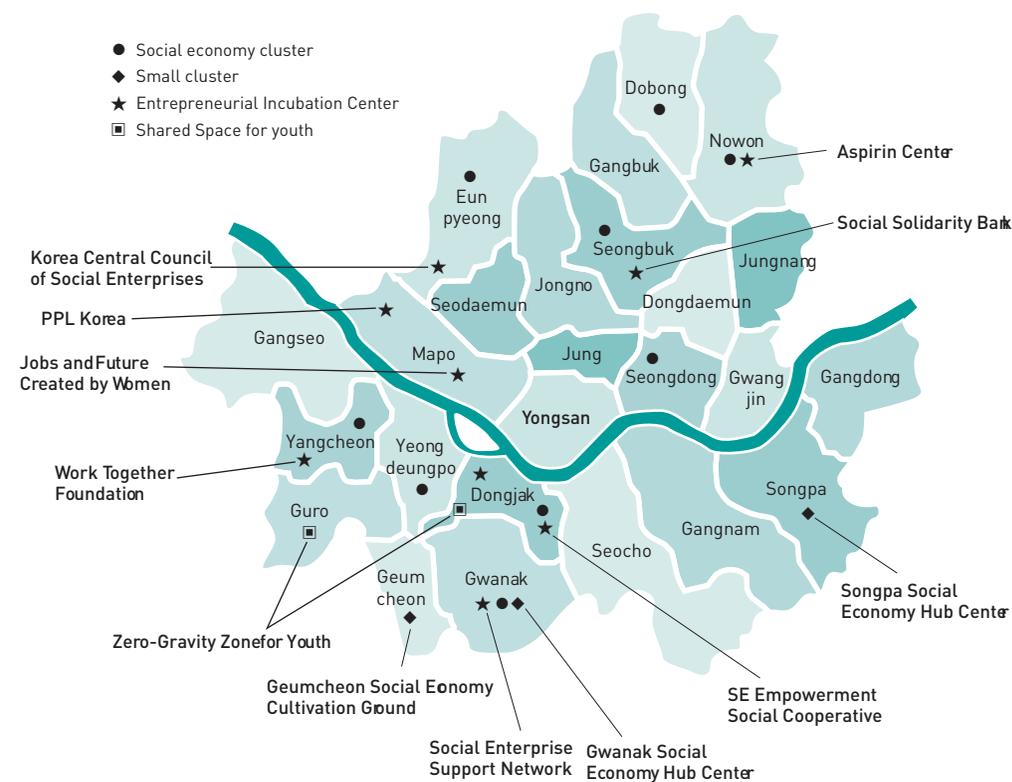
The SSEC provides basic and specialized consulting, accounting support, IT support, management education, and other such services for social economy organizations. In 2015, the center performed 302 consulting jobs. The SCSC likewise provides issue-specific and phase-by-phase consulting services, drawing upon the management, PR, marketing, finance, and other experts making up its consultant pool. In 2015, the SCSC performed 8,700 consulting jobs in total (or 38.3 jobs per day on average) as well as organizing 147 necessary and specialized training sessions on the operation and management of cooperatives for over 2,300 cooperative members.

Table 21. Management support and consulting services (2015)

Agency	Service	No. of benefiting organizations
SSEC	Basic consulting	121
	Specialized consulting	63
	Accounting support	55
	Legal support	13
	IT support on site	50
SCSC	Consulting	8,700
	Periodical basic training	45 sessions (879 persons)
	Basic training on site	60 sessions (855 persons)
	Required management training	10 sessions (123 persons)
	Required business training	10 sessions (97 persons)
	Issue-specific education	13 sessions (242 persons)
	Specialized education	9 sessions (129 persons)
	Cooperative culture support	37 cooperatives

The space assistance program involves turning idle public spaces into clusters or hubs for the local social economy. The goal is to allow social economy organizations to secure the business spaces and office equipment they need at affordable rents, and to generate assets that they could all share. Entrepreneurial consulting and supporting organizations are also present in these spaces to provide the advice and information that social economy organizations require. Since 2012, 11 boroughs have become home to, or have developed these clusters and hubs. Borough offices also provide material and financial assistance for these spaces, including incentives for private entrepreneurial incubating centers. Borough offices are also considering various measures to ensure the transformation of these spaces from offices into forums of routine exchange and networking among social economy actors, and eventually into hubs of multi-sectoral partnership and networks.

[Figure 11] Shared spaces for the social economy in Seoul



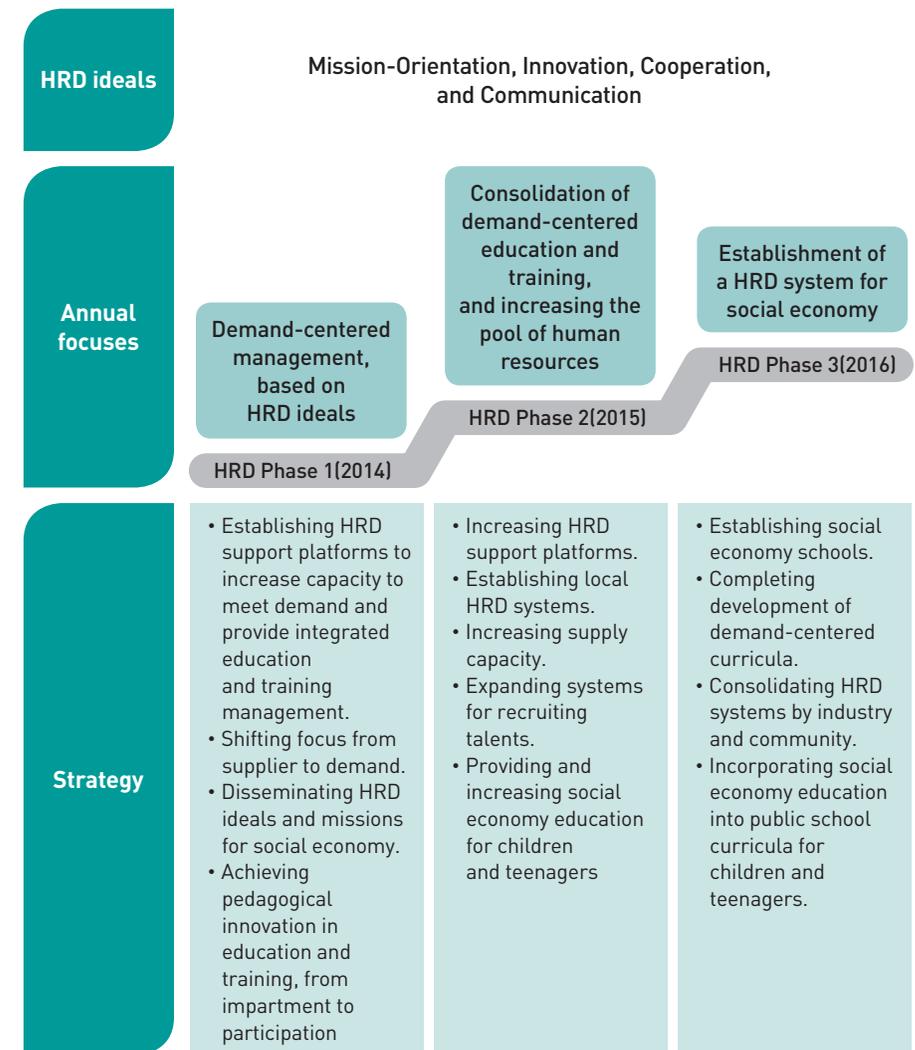
Source: SSEC(2016)

### C. Capacity Building

The SMG strives to support the education and development of people who will lead the growth of the social economy and ecosystem in Seoul. To this end, the SMG has established the Social Economy Capacity Building Roadmap (2014-2016), outlining the annual goals, strategy, and specific tasks to be achieved. First introduced in early 2014, the Capacity Building Roadmap divides the actors of the local social economy ecosystem into five groups (social entrepreneurs, working-level managers, coordinators, administrators, and social

economy experts), and delineates 25 specific tasks to be achieved to improve the four common capabilities required of these actors, namely dedication to mission, innovation, cooperation, and communication. Since then, the SMG has established platforms to support the HRD process, developed HRD systems for different industries and boroughs, developed elementary and middle-school textbooks on social economy, and created programs of collaborative research with universities and research organizations, in addition to providing education and training for all the five groups. Capacity Building is a process that does not yield overnight results, and whose outcomes cannot be easily quantified. While it is too early to determine whether the Capacity Building Roadmap has worked successfully, we may still surmise that Seoul's social economy infrastructure is in need of expansion and maturing, owing to rapid changes in the policy environment, the exponential multiplication of social economy organizations, and the increasing participation among young people. It is time for the SMG to foster and assist private organizations capable of developing and implementing consistent training curricula, and to strengthen research partnerships with universities and research organizations for the development of educational and training content.

[Figure 12] Seoul's Social Economy Capacity Building Roadmap



Source: SSEC (2015).

**Table 22. Social economy education and training courses in Seoul**

Year	No. of courses	No. of participants
2013	23	7,340
2014	30	6,179
2015	36	5,647

Source: Social Economy Division of the SMG (2016), internal documents.

#### D. Social Investment Fund

By the end of 2013, the SMG had raised a total of KRW 53 billion (KRW 50 billion from the SMG budget and another KRW 3 billion from private sources) to set up the Social Investment Fund (managed by Korea Social Investment), which was intended to provide financial assistance for social economy organizations. Since its launch, the Social Investment Fund has so far provided KRW 32.786 billion in loans for for-profit and non-profit organizations, including social enterprises, which carry on businesses with a social impact. As of 2015, the Fund amounted to KRW 55.7 billion (KRW 52.6 billion from the city's budget and KRW 3.1 billion from private sources). Although such a semi-public fund for social economy is a key asset for ensuring the sustainability of the given local social economy, the Social Investment Fund of Korea remains too heavily reliant on government sources and excessively favors loans over investments, particularly in comparison to similar funds in other social economies, such as Quebec. Policy-makers in Seoul are thus discussing and reviewing measures for reforming the fund, particularly focusing on transferring fund management rights from a private foundation to the city itself. As a result of this change, the Social Investment Fund will transform into a “fund of funds” that invests in and supports institutions of social finance in the private sector rather than directly financing individual organizations. Debates will thus likely continue on this and other related topics, including

ways to encourage social finance and to increase private sector participation.

**Table 23 Social Investment Fund in Seoul**

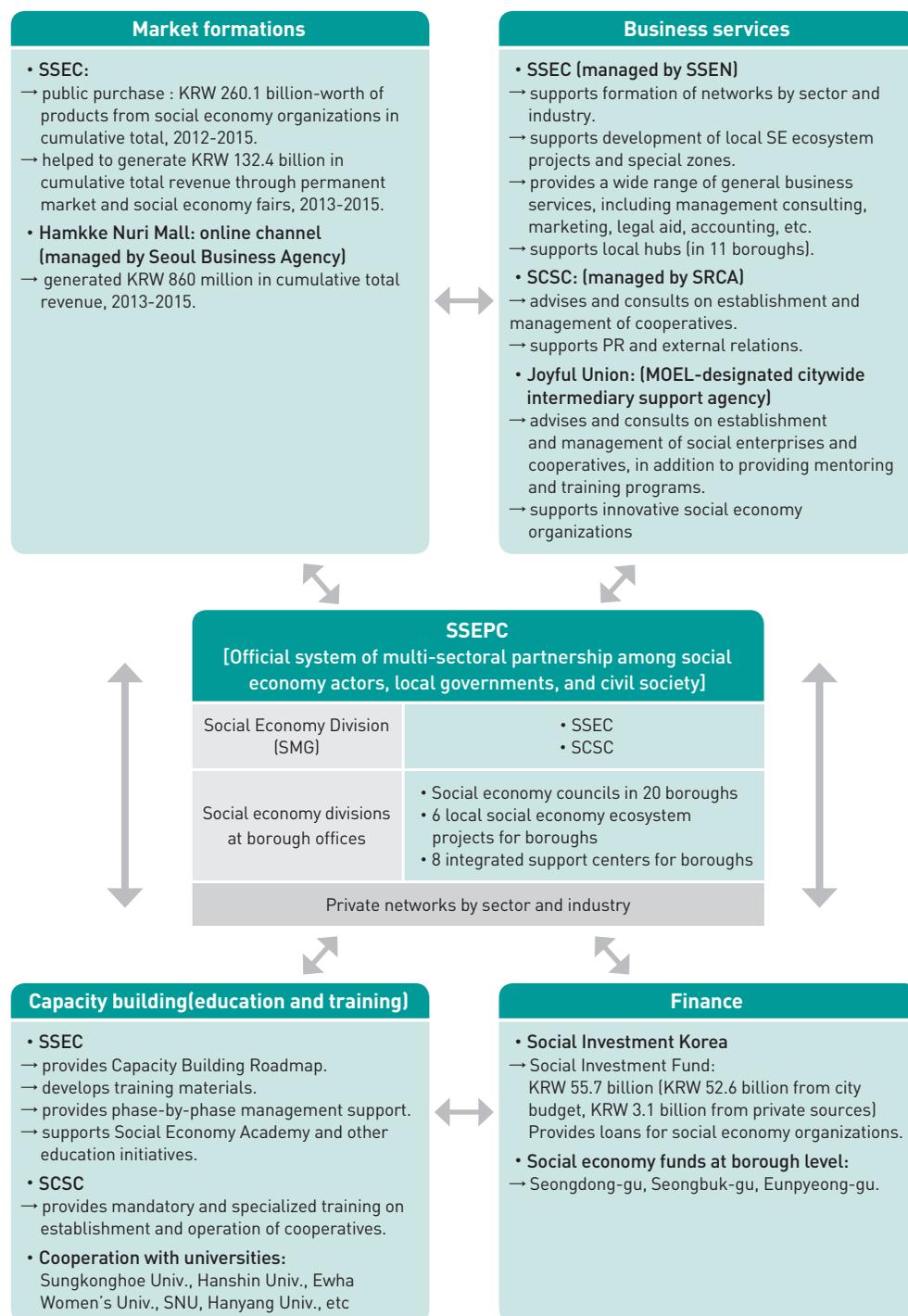
(Unit: KRW 1 million)

Program	No. of benefiting organizations	Amount of loans	Amount of loans returned
Social Enterprise Loans	30	2,223.5	343
Social Housing Loans	9	9,112	2,494
Intermediary Support Agency Project Loans	14	14,940	4,642
Social Project Loans	13	6,211	51
Social Impact Bond Loans	3	300	306
Total	69	32,786.5	7,836

Source: Social Economy Division of the SMG (2016), internal documents.

Based on the foregoing discussion, we may sum up the social economy support system and infrastructure in Seoul as shown in Figure 13.

[Figure 13] Social economy support system in Seoul



## Current Policy Issues Relating to the Seoul Social Economy

In an effort to survey the current status of the social economy in Seoul and relevant policy issues, KPIA conducted an open-ended opinion poll among civil servants specializing in social economy and related issues at 25 borough offices. The opinion poll constituted the first phase of KPIA's research on social1 economy in Seoul. The institute is currently undertaking the second phase of the research, namely polling and analyzing intermediary support agencies and major network actors at the borough level. This section summarizes the current policy issues identified by civil servants in the poll.

Table 24. Major partners consulted

Partner	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Borough intermediary support agencies/councils	1	10 (41.7)	1	16 (27.6)
Borough office departments	2	6 (25.0)	3	11 (19.0)
Social Economy Division at SMG	3	3 (12.5)	2	13 (22.4)
City-wide intermediary support agencies	4	2 (8.3)	4	6 (10.3)

Social economy incubators	5	1 (4.2)	5	4 (6.9)
Other (e.g. other boroughs, corporations, universities)	6	2 (8.3)	6	8 (13.8)
Total		24 (100)		58 (100)

Major consultation and cooperation partners for the social economy divisions and civil servants at borough offices in Seoul included multi-sectoral partnership actors, such as borough intermediary support organizations and councils. When asked to rank these partners by priority or importance, participants identified local intermediary organizations managed by private networks at the top of the list, with a frequency of 41.7 percent. Multi-sectoral partnerships on governance thus appear to have become a norm in the social economy policy discussions at the level of boroughs. Other departments in the same borough offices (e.g. social welfare division, administration division, etc.) came in second (25.0 percent), followed by the Social Economy Division of the SMG in third place (12.5 percent). Even when finally ranked, borough intermediary organizations and councils emerged at the top (27.6 percent), followed by the Social Economy Division of the SMG (22.4%), and other departments in the same borough offices (19.4 percent). In other words, most social economy policy work by participants appears to be undertaken on the basis of cooperation with the city and borough government offices.

**Table 25. Other partners to be consulted more frequently**

Partner	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Universities, research centers, experts	1	7 (41.2)	1	11 (33.3)
SSEC	2	3 (17.6)	2	9 (27.3)

Social economy hubs and tenant businesses	3	2 (11.8)	3	5 (15.2)
Borough office departments	3	2 (11.8)	4	3 (9.1)
Social Economy Division at SMG	3	2 (11.8)	5	2 (6.1)
Neighborhood community support agencies	6	1 (5.9)	6	2 (6.1)
Other borough offices			7	1 (3.0)
Total		17 (100)		33 (100)

Moreover, survey participants also concluded that more expert partners, such as universities, research centers, and individual social economy experts, also need to be consulted. This appeared in both ranking by priority and final ranking (with frequencies of 41.2 percent and 33.3 percent, respectively). This seems to reflect the growing demand for more extensive basic research, fact-finding surveys, education, and in-depth analyses for the establishment and implementation of mid- to long-term plans on the social economy. The SSEC, a citywide intermediary support agency, came in second (with frequencies of 17.6 percent and 27.3 percent for ranking by priority and final ranking, respectively), followed by borough hubs (with frequencies of 11.8 percent and 15.2 percent, respectively). As borough offices increasingly take up leading roles in boosting the social economy, the demand for local hubs and other shared spaces is also expected to rise.

**Table 26. Partners whose cooperation should be sought out more for social economy**

Partner	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Public organizations and other departments in boroughs	1	7 (33.3)	1	19 (35.2)

Schools and education offices in boroughs	2	5 (23.8)	2	13 (24.1)
Businesses in boroughs	3	3 (14.3)	3	4 (7.4)
Social economy organizations in boroughs	4	2 (9.5)	6	3 (5.6)
Social economy councils in boroughs	4	2 (9.5)	6	3 (5.6)
SSEC	6	1 (4.8)	8	2 (3.7)
Borough intermediary support agencies	6	1 (4.8)	3	4 (7.4)
Other local organizations			3	4 (7.4)
Other borough offices			8	2 (3.7)
Total		21 (100)	Total	54 (100)

When asked to identify other organizations and actors with whom they needed to work more to promote the social economy as a whole, survey participants identified the public organizations and all other borough office departments in their respective boroughs (33.3 percent), followed by schools and education offices (23.8 percent) and businesses (14.3 percent). The same order of partners was also repeated in the final ranking. One reason for the high rankings of public organizations, borough office departments, and businesses may be found in the fact that public purchases and marketing support for the products of social economy organizations figure as high-priority issues for fostering social economy at the level of boroughs. The popularity of schools and education offices seems to reflect the growing emphasis of the social economy policy on providing education and training services, through after-school programs and school cooperatives. In other words, borough-level officials perceive the growth and sustainability of social economy organizations as their top-priority goals.

**Table 27. Obstacles to social economy policy implementation at the borough level**

Obstacle	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Lack of understanding (in civil servants and residents)	1	6 (24.0)	1	19 (30.2)
Complex and unclear procedures	2	4 (16.0)	2	10 (15.9)
Frequent turnovers in personnel	2	4 (16.0)	4	7 (11.1)
Absence of higher legislative grounds	4	3 (12.0)	3	8 (12.7)
Shortage of spaces	5	2 (8.0)	9	2 (3.2)
Shortage of intermediary support agencies	5	2 (8.0)	7	3 (4.8)
Performance-orientation in evaluation system	7	1 (4.0)	5	4 (6.3)
Shortage of private-sector resources	7	1 (4.0)	5	4 (6.3)
Shortage of interdepartmental cooperation	7	1 (4.0)	9	2 (3.2)
Budget constraints	7	1 (4.0)	7	4 (6.3)
Total		25 (100)		63 (100)

The main obstacle to the work of survey participants was the lack of understanding of the social economy among fellow civil servants and residents alike (with frequencies of 24.0 percent and 30.2 percent, respectively, for ranking by priority and final ranking). Complex and opaque procedures (15.9 percent), absence of a greater legislative basis (12.7 percent), personnel shortages and turnovers (11.1 percent) came in the next three places in terms of final ranking. These results suggest that it is important not only to increase the awareness and

understanding in civil servants and residents, but also to ensure the sustainability and stability of social economy policy work.

**Table 28. Issues to be resolved to strengthen multi-sectoral partnership at the borough level**

Issue	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Strengthening mutual trust and support	1	13 (59.1)	1	15 (33.3)
Systematizing multi-sectoral partnership	2	2 (9.1)	3	7 (15.6)
Strengthening private networks	2	2 (9.1)	5	2 (4.4)
Strengthening capability and autonomy of private actors	3	1 (4.5)	2	11 (24.4)
Establishing and advertising infrastructure	3	1 (4.5)	5	2 (4.4)
Raising local financial resources	3	1 (4.5)	7	1 (2.2)
Implementing ecosystem development projects	3	1 (4.5)	7	1 (2.2)
Increasing citizens' participation	3	1 (4.5)	7	1 (2.2)
Increasing policy and budget support			4	3 (6.7)
Enhancing professionalism of borough officials			7	1 (2.2)
Total		22 (100)		45 (100)

Multi-sectoral partnership is crucial to the governance and success of the social economy, and survey participants identified strengthening mutual trust and support as the most important issues to be solved toward achieving that partnership, with an overwhelming frequency of 59.1 percent when ranking the issues by priority. The issue again

topped the list of final rankings with a frequency of 33.3 percent, followed by strengthening the capability and autonomy of private sectors (24.2 percent) and systematizing multi-sectoral partnership (15.6 percent). While substantial and diverse efforts need to be made in order to establish multi-sectoral partnerships on governance, survey participants also believed that the capability and autonomy of private actors need to be enhanced as a crucial condition for the sustainability of such partnership.

**Table 29. Preconditions for partnership with neighborhood community programs**

Precondition	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Organizational centralization (with clarification of roles)	1	12 (63.2)	1	15 (44.1)
Cooperation between social economy and community organizations	2	3 (15.8)	2	4 (11.8)
Sharing of program details and information	3	2 (10.5)	2	4 (11.8)
Common programs and projects	4	1 (5.3)	5	3 (8.8)
Interdepartmental dialogue and cooperation	4	1 (5.3)	6	1 (2.9)
Increasing participation of community actors			2	4 (11.8)
Accountability and reliability			6	1 (2.9)
Personnel training			6	1 (2.9)
Restoration of local communities			6	1 (2.9)
Total		19 (100)		34 (100)

The next question concerned the preconditions that survey participants thought needed to be met in order to ensure continuity and cooperation between their social economy programs, on the one hand, and neighborhood community programs supported by citywide agencies, on the other. As social economy organizations emerge and thrive on the basis of ties to local communities, the concerns of these two types of programs have long overlapped. Survey participants identified organizational centralization, with clarification of respective roles and responsibilities, as the most urgent preconditions (with frequencies of 63.2 percent and 44.1 percent, respectively, for ranking by priority and final ranking). Such organizational streamlining will be crucial in order to minimize the inefficiencies and possible conflicts that could arise from combining the two types of programs. Cooperation between social economy organizations and community organizations, and the sharing of program details and information, came in second and third places respectively in both rankings. The lack of clarity in the respective roles and responsibilities appears to be the greatest obstacle blocking inter-organizational cooperation and continuity.

**Table 30. Current issues facing the social economy at the borough level**

Issue	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Increasing channels of marketing	1	9 (37.5)	1	15 (28.8)
Establishing social economy infrastructure	2	5 (20.8)	2	9 (17.3)
Raising public awareness of social economy	3	3 (12.5)	3	8 (15.4)
Creating spaces	4	2 (8.3)	4	5 (9.6)
Fostering private and public-private networks	5	1 (4.2)	6	4 (7.7)

Enhancing capability for social economy	5	1 (4.2)	5	4 (7.7)
Establishing intermediary support agencies	5	1 (4.2)	7	2 (3.8)
Filtering out ideological voices from social economy discourses	5	1 (4.2)	10	1 (1.9)
Discovering and developing new models of social economy			7	2 (3.8)
Increasing borough social economy personnel			7	2 (3.8)
Total		24 (100)		52 (100)

When asked to identify key current issues facing the social economy at the level of boroughs, survey participants identified increasing marketing channels as the most important issue (37.5 percent on ranking by priority, 28.8 percent on final ranking), followed by establishing social economy infrastructure (20.8 percent and 17.3 percent, respectively), and raising public awareness of the social economy (12.5 percent and 15.4 percent, respectively). While the relative importance and priority of all these three issues cannot be determined very easily, borough officials still perceive increasing marketing channels as the top-priority issue. The other two issues also emerged clearly as borough offices are still in the early stage of the developing social economy ecosystem.

**Table 31. Current issues facing intermediary support agencies**

Issue	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Enhancing capability	1	6 (33.3)	1	11 (28.9)
Increasing human and financial resources	2	4 (22.2)	2	8 (21.1)

Fostering private networks	3	2 (11.1)	4	4 (10.5)
Enlarging channels of communication with other actors	3	2 (11.1)	6	2 (5.3)
Establishing systemic plans	3	2 (11.1)	6	2 (5.3)
Raising public awareness of social economy	6	1 (5.6)	9	1 (2.6)
Increasing channels of marketing	6	1 (5.6)	6	2 (5.3)
Ensuring public confidence and trust			3	5 (13.2)
Fostering social economy organizations			5	3 (7.9)
Total		18 (100)		38 (100)

As for the two most pressing issues facing borough-level intermediary support agencies, such as social economy ecosystem groups and integrated support centers, survey participants identified enhancing capability (33.3 percent) and increasing financial and human resources (22.2 percent). The same results also recurred in the final ranking. Survey participants viewed the enhancement of agencies' own capabilities as more urgent than any specific programs they provide, with frequencies of 55.5 percent for ranking by priority and 50.0 percent for final ranking. This appears to reflect the mounting pressure these agencies face for enhancing their capability and autonomy, as the deadline for government assistance draws near. The SMG has decided to support social economy ecosystem groups for three years and integrated support centers for two years, pending results of an annual review. However, it is nearly impossible for these local agencies to establish and consolidate the grounds for autonomous and sustainable operations on their own in just four years since the SMG announced its support policy. As these agencies struggle to tackle multiple issues and tasks at once due to the explosive growth of the social economy,

it is critical to develop a long-term plan that would ensure and strengthen the sustainability of their programs. There needs to be more active discussion on the new roles and functions of these agencies, particularly in developing potential local resources, fostering private networks, and strengthening multi-sectoral partnership on governance.

**Table 32. Current issues facing the SMG with respect to supporting social economy in the boroughs**

Issue	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Providing long-term plans and support for involved organizations	1	10 (41.7)	1	18 (35.3)
Retraining and motivating civil servants involved	2	6 (25.0)	2	11 (21.6)
Developing programs for increasing public awareness	3	3 (12.5)	3	7 (13.7)
Supporting borough-specific social economy projects	4	2 (8.3)	4	3 (5.9)
Maintaining effective communication with boroughs	4	2 (8.3)	4	3 (5.9)
Abolishing incentive-centered and ostentatious projects	6	1 (4.2)	7	2 (3.9)
Providing expert human resources			4	3 (5.9)
Restraining from excessive support			8	1 (2.0)
Launching city-wide projects and programs			8	1 (2.0)
Ensuring stability and sustainability in personnel			8	1 (2.0)
Increasing Mayor's presence on site			8	1 (2.0)
Total		24 (100)		51 (100)

Survey participants identified providing long-term plans and assistance for involved social economy organizations as the top-priority issue facing the SMG, in terms of both ranking by priority (41.7 percent) and final ranking (35.3 percent). This reflects the high demand for revisiting the sunset provision on the current support programs of the SMG for borough-level projects, and also for establishing an effective mid- to long-term plan for the citywide development of the social economy. Next in both rankings was retraining and motivating borough personnel involved (25.0 percent for ranking by priority, 21.6 percent for final ranking). Rapid changes in the policy environment and the frequent turnover among the authorized staff serve to limit the ability of borough office personnel to internalize and push for the vision and goals of the SMG social economy policy. Third in the rankings was the need to provide programs for raising public awareness of the social economy (12.5 percent for ranking by priority and 13.7 percent for final ranking). This will be crucial in order to develop effective programs that will enable the general public to understand the vision of, and share experiences of, the social economy.

**Table 33. Obstacles to the growth of the Seoul social economy**

Obstacle	Rank by priority		Final rank	
	Rank	Frequency (%)	Rank	Frequency (%)
Difficulty of collecting basic and current data	1	4 (20.0)	3	5 (11.6)
Gaps among boroughs	2	3 (15.0)	1	8 (18.6)
Absence of sustainable and systemic support policy	3	2 (10.0)	2	7 (16.3)
Quantitative evaluation system	3	2 (10.0)	4	3 (7.0)
Lack of PR and public understanding	3	2 (10.0)	4	3 (7.0)
Absence of effective communication with boroughs	6	1 (5.0)	4	3 (7.0)

Absence of statutory and institutional grounds	6	1 (5.0)	3	5 (11.6)
Market-centered nature of SMG policy programs	6	1 (5.0)	8	2 (4.7)
Excess workload on boroughs	6	1 (5.0)	8	2 (4.7)
Ideological bias among social economy actors	6	1 (5.0)	11	1 (2.3)
Lack of capability in social economy actors	6	1 (5.0)	11	1 (2.3)
Shortage of collaboration among boroughs	6	1 (5.0)	11	1 (2.3)
Absence of networks			11	1 (2.3)
Perceptive disparity between actors and administrators			11	1 (2.3)
Total		20 (100)		43 (100)

Finally, the survey asked participants to identify major obstacles to the growth of the social economy in Seoul. The answers given by participants to this question, as people who are responsible for the day-to-day unfolding of the social economy in the city, revealed several important factors. With respect to the earlier questions, participant responses were concentrated in the three top-ranked answers, and the rankings by priority remained consistent with final rankings. In other words, irrespective of the particularities and the status of the social economy in different boroughs, participants shared a clear understanding on many of the core issues and topics regarding the social economy. With respect to this final survey question, however, participants evinced a level of diversity and complexity previously unseen. The complexity of their answers seems to reflect the compressed and astonishing growth of the social economy in Seoul. The major issues identified included the absence of statutory and institutional bases, difficulties in networking and governance owing to

conflicts among actors involved, the quantity-emphasizing evaluation system, the market-centered nature of many programs, and the lack of public understanding of the social economy.

When asked to rank their answers by priority, participants identified the difficulty of collecting basic and current data (20 percent), gaps among boroughs (15.0 percent), and the absence of a sustainable and systemic support policy, the quantitative evaluation system, and the lack of PR and public understanding (10 percent each) as the three top-priority issues that need to be solved. In terms of final ranking, however, gaps among boroughs emerged at the top of the list (18.6 percent). This was followed by the absence of a sustainable and systemic support policy (16.3 percent) in second place, the difficulty of collecting basic and current data with the absence of statutory and institutional grounds in third position (11.6 percent each). These rankings reveal not only the urgent need to overcome gaps between boroughs, but also the need for greater stability and continuity in social economy policies and programs.

Four years have passed since the SMG announced its Comprehensive Social Economy Support Plan. The number of social economy organizations has multiplied by over fivefold, from 542 to 2,819, from the end of 2011 to the end of 2015. multi-sectoral partnerships for the governance of related policy-making and programs have become a norm not only with the metropolitan government, but also at the borough level. Of the 25 self-governing boroughs in Seoul, 20 are operating a total of 38 multi-sectoral partnership councils. Fourteen boroughs also operate intermediary agencies responsible for identifying local issues and mobilizing available resources. Prospects are improving for developing networks by sector, industry, and community.

Yet Seoul still faces multiple issues and obstacles in its path towards an advanced social economy. The city has achieved remarkable growth in its social economy in just a few years, while similar developments in several Western cities took from ten to thirty years. This rapid

growth has inevitably led to a number of complex issues. The Seoul social economy may have grown externally at a fast pace, but citizens still remain less involved and satisfied with it than its size would warrant. The quantitative evaluation system, the absence of sustained policy support measures and short sunset periods on existing ones, overlapping of concerns with neighborhood community projects, and the respective roles and responsibilities of city-wide and borough-level intermediary organizations are all issues that need to be revisited and resolved. The SMG is currently in the process of developing a Seoul Social Economy Foundation Plan for the local social economy. As the experience of the last four years has proven, multi-sectoral partnerships will be crucial for designing the future of the social economy ten years and 100 years down the road. That is why, despite multiple issues and threats challenging the sustainability of the social economy in Seoul, we place our hope and trust in the city's potential.

## Outro: the Possibility of a “Seoul Model”

In order to foster the local social economy, the SMG has taken the path of first developing the necessary infrastructure and ecosystems, as well as using this basis to cater for diverse local needs. This process bears much similarity to the “Quebec model” of social economic growth in Canada. As a matter of fact, a number of policymakers in Seoul deliberately referred to the Quebec model in devising policy measures for Seoul.

The most outstanding accomplishment of this model in Seoul is that it has attracted diverse groups of active citizens, previously engaged in activism, labor movements, party activities, women’s movement, and environmentalism, to the burgeoning network of social economy councils throughout the city. The fact that Mayor Park has a good understanding of the social economy and emphasized the importance of intermediary organizations in fostering it has also contributed to the short-term success of the social economy experiment in Seoul. Moreover, the SMG also devised its social economy policy measures in partnership with borough offices, thus setting an example for co-production and co-governance of policies.

Nevertheless, the social economy in Seoul still remains in an incipient stage, and has a long way to go until it reaches critical mass.

Social finance also remains a poorly developed area of policy-making in Seoul. Although borough offices and private citizens networks have begun to produce policies together, they still need to develop wide civic participation in order for the social economy in Seoul to grow to a breakthrough level. Only after achieving such success will it be appropriate to label the current series of related phenomena taking place in Seoul as the “Seoul model.”

The Seoul model of social economic growth would require not only the growth of the social economy, but also actively solving a number of problems that Korea and the rest of the world face together, namely, increasing economic and social polarization and the ecological crisis. Only by successfully addressing and tackling these issues will the Seoul model be able to develop into one of the pillars supporting pluralistic development and democracy in a complex society, the two overarching axes of the philosophy of Karl Polanyi.

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## Seoul's Social Economy Policy(2011-2015): Achievements and Challenges



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## Background

Since the election of Mayor Park Won-soon in late 2011, the Seoul Metropolitan Government (SMG) and the social economy organizations in the city have together built a multi-sector partnership, in order to do a better job of allocating public resources and to increase the amount of social capital available for solving various problems. This report is a summary of the analysis on the SMG's social economy policy and its outcomes over the last five years.

Toward the end of 2011, the SMG and civil society participants agreed that the social economy was something more than just an additional source of employment. They agreed that the social economy of Seoul was in need of an ecosystem that enhances the happiness of Seoul's citizens and contributes to economic democratization. The parties thus reached agreement on developing the four major pillars of such an ecosystem: capacity building, social capital, the market, and the financial sustainability of social economy organizations.

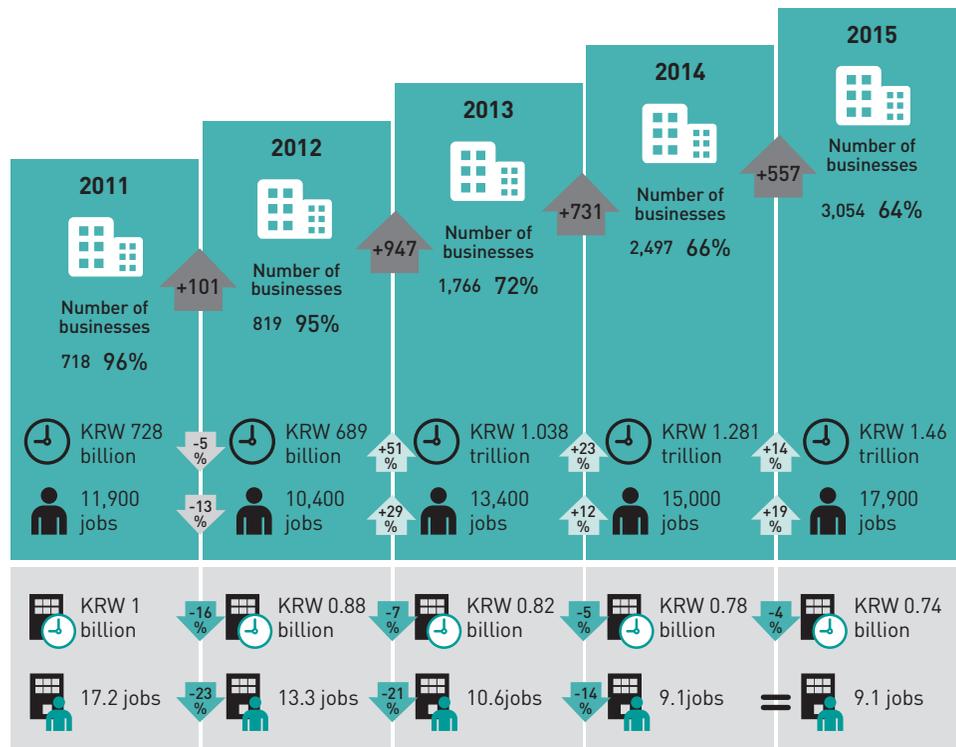
## Seoul's social economy policy: achievements over the past five years

### 1) Growth of Social Economy in Seoul

The number of social economy organizations in Seoul increased fourfold between 2011 and 2015, from 718 to 3,054.<sup>1)</sup> Of these, 78% are newly-established organizations. In late 2012, the Korean National Assembly enacted the Framework Act on Cooperatives (FAC), which on its own has spurred the establishment of 2,200 cooperatives in Seoul. Starting cooperatives has been popular particularly among retirees in the Gangnam districts as well as other diverse groups of entrepreneurs.

1) A few different departments are keeping track of and surveying the number of social economy organizations in Seoul, with slightly different criteria. Thus it is possible that these statistics may have some duplication.

[Figure 1.] Growth of Social Economy in Seoul, 2011-2015



However, only 64% (1,960) of these organizations remain active today. The survival rates of social enterprises and self-sufficiency enterprises are relatively high, at 90.0%<sup>2)</sup> and 91.0%,<sup>3)</sup> respectively. However, due to the relatively short history of public support and the shortages of networks, the survival rate of community businesses barely reaches 69%.<sup>4)</sup> For new cooperatives, the ratio drops even further, ranging between 53.9%<sup>5)</sup> and 44.4%.<sup>6)</sup> Therefore, rather than

2) MOEL and KLI, Assessment of the Employment Effects of Social Enterprises and Cooperatives, 2015 (using the ratio of businesses that have shut down to the number of businesses established).

3) Seoul Province Self-Sufficiency Center, Current Status of Self-Rehabilitation Enterprises, 2015.

4) MOPAS and SSEC, Results of the Complete Enumeration Survey on Community Enterprises, 2016.

providing support for new enterprises, policymakers should focus on fostering an environment in which existing operations (including those which have temporarily or permanently gone out of business) can function more effectively.

## 2) Increasing value generated by social economy organizations

As of the end of 2015, the social economy organizations in Seoul together generated an aggregate annual revenue of KRW 1.46 trillion (KRW 745 million per organization), with 17,900 new jobs (9.1 jobs per organization); this is almost double the figures observed in 2011.

As of the end of 2014, the social economy in Seoul accounted for 0.4 percent of both the gross regional domestic product (GRDP) and employment in the city.

As for the quality of jobs these organizations have created, the average pay from these organizations amounts to 65 percent of the average urban worker's wage (KRW 2.64 million per month). However, the amount of income for vulnerable groups has increased by 120 percent, in comparison to the amount of transfer income and the amount of income from for-profit businesses in the same industries. The ratio of employees with social insurance coverage is also 30% higher in social economy organizations than in other businesses.

5) MSF and KIHASA, Second Survey on the Current Status of Cooperatives, 2016.

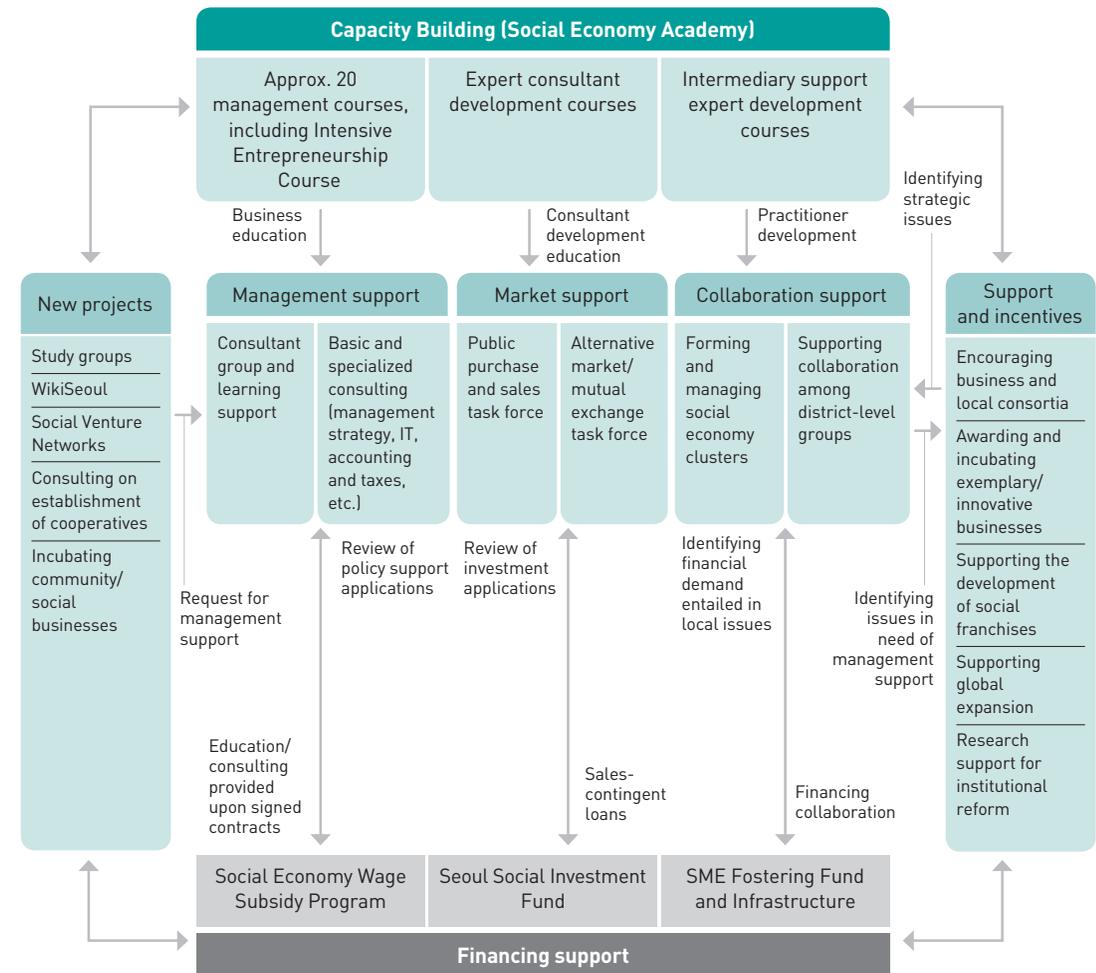
6) Seoul Council of Local Cooperatives, Cooperative Project Performance Report, 2016.

# Fostering an ecosystem for greater self-sufficiency

## 1) Phase-by-phase policy support programs

Much of the SMG's policy support programs for the social economy concentrated on the entrepreneurial phase until 2011. The SMG has since revisited this policy, experimenting with a new policy program that provides support tailored to each phase of growth in these social economy organizations.

Figure 2. Phase-by-Phase Support Programs for Social Economy Organizations in Seoul



The management consulting program, for instance, provides business consulting, accounting services, legal aid and IT support for over 300 organizations each year, and has contributed to an increase of 29% in the revenue of social economies, and an increase of 49% in their employment.

In an effort to foster a capital market more favorable to the social economy, the SMG invested KRW 50 billion to set up the Seoul Social Investment Fund, through which it has provided KRW 33 billion over the last three years. The total revenue of and number of jobs at social economy organizations has increased by 129% and 157% respectively, over those three years.

## 2) Promoting collaboration and awarding exemplary organizations

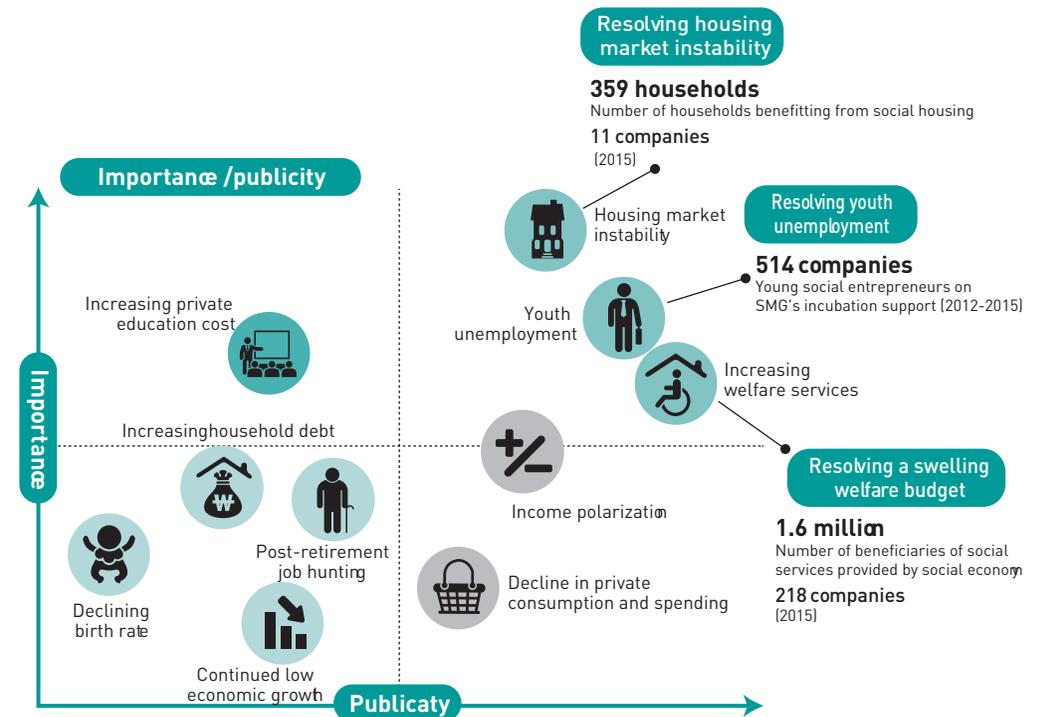
The SMG has continually encouraged and supported the establishment of new organizations in areas of business with direct implications on the daily life of Seoul's citizens. In this process, the SMG has supported councils of interested parties, fostered collaboration projects, and awarded and subsidized innovative organizations.

Of the core issues<sup>7)</sup> facing the daily life and economy of Seoul's citizens identified by the Seoul Institute in 2015, housing, youth unemployment and social welfare services are the three areas in which social economy organizations have been most active. Organizations specializing in housing issues began to provide public housing construction management services for 359 households even before organizing the Social Housing Association. Social economy organizations specializing in social services now comprise over 10% of the entire social economy in the city and service over one million clients each year.

7) Seoul Institute, Additional Survey on Seoul Consumers' Economic Outlook for Q4, 2014, 2014.

Figure 3. How the Social Economy Helps to Solve Core Daily Issues faced by Seoul Citizens in 2015

How the social economy helps to solve issues that Seoul citizens face every day  
Core economic issues identified by Seoul's citizens (Seoul Institute, December 2014)



## 3) Expanding the market for products from the social economy

Acknowledging the need to enhance the social responsibility of the public procurement market in Seoul, amounting to some KRW 7 trillion in value, the Seoul Metropolitan Council enacted a number of municipal ordinances, including the Municipal Ordinance on Public Purchases and Marketing Support for the Products of Social Economy Organizations (March 2014), the Framework Ordinance on the Social

Economy (May 2014), and the Municipal Ordinance on Increasing the Social Value of Public Procurement by Seoul (May 2014). As a result, the public procurement market for the social economy in Seoul grew by KRW 80 billion in 2015.

Our analysis of the sales growth rates of 20 social economy organizations in Seoul that voluntarily disclosed their management information, and of the ratio of public purchases in their sales,<sup>8)</sup> revealed that the aggregate sales of these organizations grew by 25% from 2014 to 2015. Interestingly, the sales from public purchases took a 5% drop, while the sales from the general market grew by 7% over the same period. These findings suggest that the public market in Seoul is successfully functioning as a test market and helping social economy organizations pioneer their respective markets better.

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8 SSEC Public Purchase and Business Group, 2016.

## Enhancing the autonomy and capabilities of the social economy

### 1) Capacity Building

In 2013, the SMG created the Social Economy Taskforce on Capacity Building, and put it in charge of developing a Social Economy Capacity Building Roadmap. This roadmap presented different capability-building models for different types of social economy participants, including social entrepreneurs, working-level civil servants, specialists, administrators, and intermediary support agency activists. The SMG provided 86 courses of action learning over the following three years, producing a total of 4,048 graduates.

The SMG also made various efforts to facilitate entry of the youth into the social economy. These included an incubation program supporting 514 youth entrepreneurship teams in the city, and organizing public contests on ideas for improving the social economy, WikiSeoul, which led to the implementation of 166 policy support programs over four years.

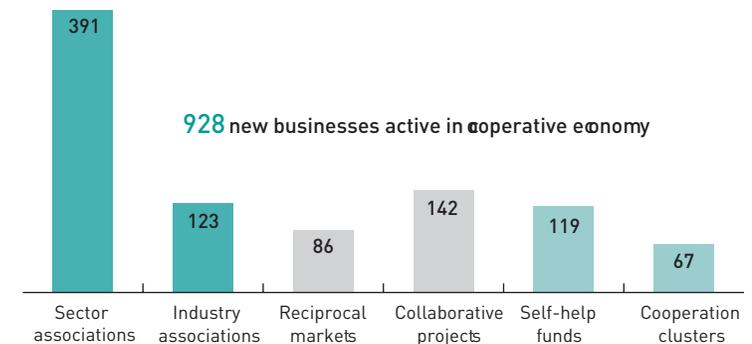
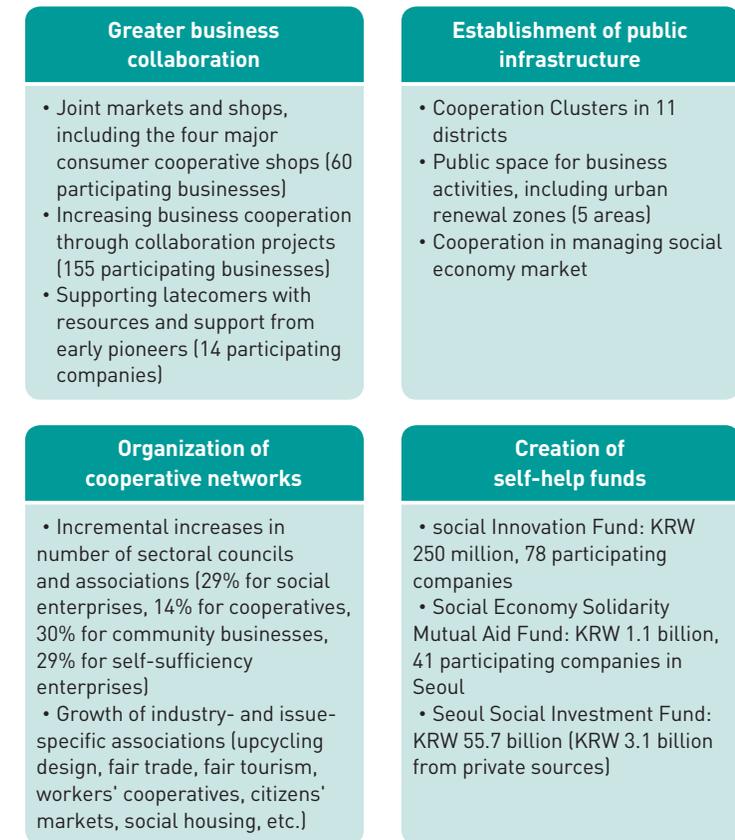
As of 2015, 792,000 citizens in Seoul were directly investing in the city's social economy, having made a total investment of KRW 165 billion. There were also 8,900 volunteers who were actively involved in working with social economy organizations to solve problems within

communities. In particular, the consumer cooperatives in Seoul have been growing an average of 6% per year since 2011, encompassing 410,000 households (11% of the total of 3.63 million households in Seoul) by the end of 2015.

## 2) Establishing a system for cooperative economy

The SMG's efforts in fostering a platform for a thriving cooperative and social economy in Seoul have been mainly centered on developing the four main pillars of the Mondragon Corporation model. There are now approximately 920 organizations participating in Seoul's cooperation networks (456 business associations, 120 industry associations, 228 collaborative projects, and 120 self-help funds). The network encompasses 20 public areas of cooperation and a total of KRW 4.45 billion in self-help funds.

Figure 4) Results of Developing Social Economy Infrastructure in Seoul



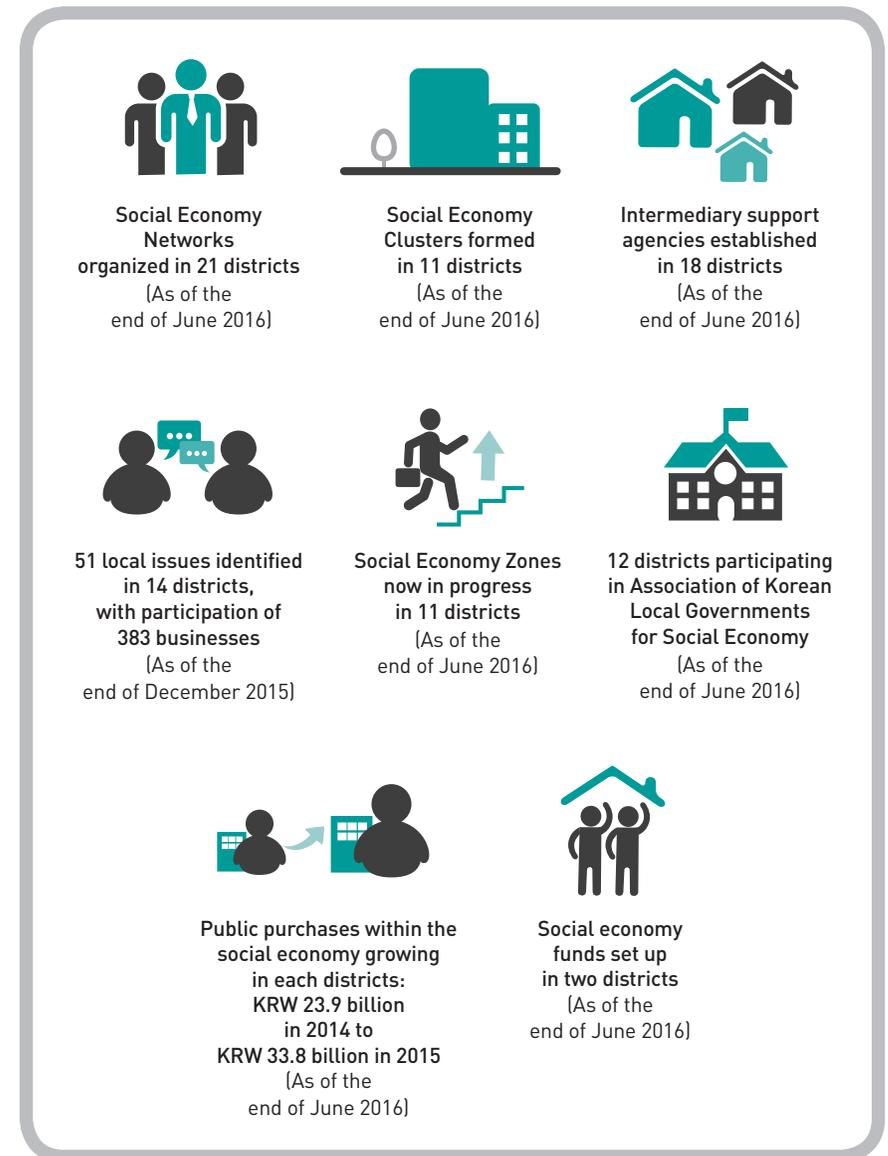
### SMG's strategy for cooperative economy infrastructure



## Developing platforms for solving local problems

The SMG and the offices of 18 districts in Seoul have set up intermediary support agencies to facilitate multi-sector partnership on the social economy. These agencies are products of the Local Social Economic Ecosystem Development Project, which the SMG has been implementing since 2012 to uncover district-specific issues, make better usage of available local resources, and narrow down social economy gaps between the districts. The project led to the creation of social economy councils in 21 districts, who together have uncovered 51 local social economy issues.

Figure 5. How the Social Economy Has Changed Municipal Districts in Seoul



## Leading the creation of the Global Social Economy Forum (GSEF)

In 2013, the SMG and the SSEC proposed the creation of an international forum of exchange between major local governments and nongovernmental organizations worldwide on issues of the social economy and policymaking. The Global Social Economy Forum (GSEF) was first held at Seoul City Hall in November 2013. The participants confirmed the essential importance of the social economy in tackling the various social and economic issues facing the world, and adopted what is known as the Seoul Declaration. GSEF 2014 and the first meeting were held the next year, again in Seoul, to announce the inauguration of the GSEF, with local governments and nongovernmental organizations from around the world as its founding members. The second GSEF meeting (GSEF 2016) will be held in Montreal in September 2016.

## Improving the efficiency of fiscal support

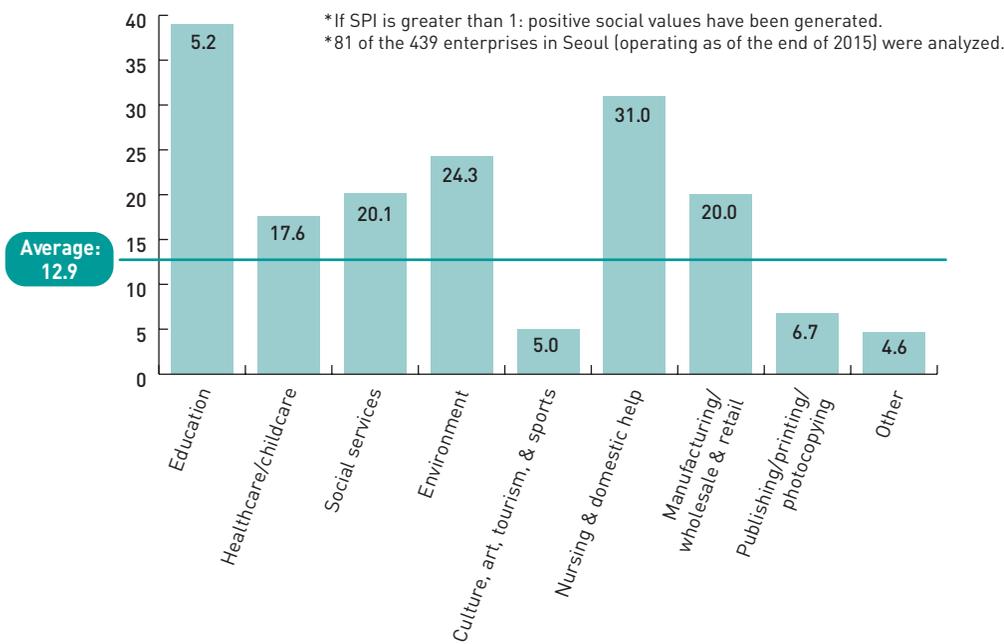
Until 2011, over 90% of the SMG's social economy budget went toward providing wage and business subsidies for individual social enterprises. However, based on discussions held by the Seoul Social Economy Policy Council, the SMG has increased the portion of indirect funds (to be spent on fostering a social economy ecosystem throughout Seoul) to 52%, (KRW 131.9 billion in total), since 2012. Such fiscal support has generated KRW 3.139 trillion in cumulative revenue and 15,800 jobs in cumulative total by the end of 2015, with an ROI (return on investment) rate of 22.78%.

Note that the number of social economy organizations in Seoul has multiplied over fourfold, while the city's social economy budget has been taking a 10% cut every year over the last five years. In other words, the SMG has steered the remarkable growth of social economy organizations and developed its infrastructure with increasingly-diminishing fiscal resources. The efficiency of fiscal support for the social economy in Seoul has thus improved greatly over the last several years.

A recent study by the Seoul Institute on the effects of the SMG's social economy policy<sup>9)</sup> reveals that the economic and social returns

on social economy organizations have increased significantly since the SMG began to develop an economic ecosystem rather than directly subsidizing individual businesses. An analysis of the organizations' social performance index (SPI)<sup>10</sup> shows that the SPI of Seoul-style social enterprises had grown by 2.8 times when surveyed in 2012. In the meantime, social enterprises-in-the-making receiving support from the SMG generated 12.9 times greater social value in 2016 than the fiscal support they received. Increasing policy attention to ecosystems and infrastructure has significantly improved outcomes of the social economy in Seoul.

Figure 6. Social Values Generated by Social Enterprises in Seoul



9 Cho, Dalho, et al., Performance and Policy Issues of Seoul-Style Social Enterprises, Seoul Institute, 2012; Cho, Dalho et al., Evaluation of the Performance of Social Enterprises in Seoul, Seoul Institute, 2016.

10 Obtained by comparing the number of jobs and the value of social services generated against the amount of fiscal support provided.

## Challenges

Notwithstanding these achievements of the past five years, Seoul is still far from having realized “an endogenous and democratic mechanism of economic development” with its social economy experiment.

There are a number of policy issues that need to be addressed.

### 1) Fostering business consortia and mutual aid associations among social economy organizations

Policy support will be needed to encourage social economy organizations of the same or different industries to gather together and form business consortia and mutual aid associations. Such associations will be necessary for these organizations to share resources and business projects and make use of the internal resources and business capabilities of older and well-established enterprises. Seoul can facilitate this process by enacting and amending basic municipal legislation, allowing these organizations to set up and operate mutual aid arrangements providing deposit services, loans, and insurance. The Seoul Social Investment Fund can be used to match the investments

and contributions made by these organizations.

## 2) Making the transition from organization-specific support to mission-specific support

The Korean government has already developed a number of programs to support different types of social economy organizations, such as self-sufficiency enterprises, social enterprises, community businesses, and cooperatives. These programs have contributed to the development of the social economy in Korea, but many issues remain to be addressed. Considering the differences in the relative priority of issues and missions shaping the social economy, in methods of financing, in the willingness or ability of target consumer groups to pay, in the state of social networks, and in the state of target markets, it is crucial for policymakers to re-design the support system to cater to specific issues and missions rather than specific types of organizations. The SMG can set an example in this regard by breaking down the departmental walls and suggesting a new and more integrated design for support programs, which clarifies the routes by which policy support is transferred from one type of organization to another.

## 3) Entrusting public assets to the care of communities against gentrification

The SSEPC had a consensus in 2012 on spending up to 30% of the SMG's annual social economy budget on developing and creating public assets. Yet only 11 districts have so far provided the public land necessary for creating collaboration zones. In the meantime, the problem of gentrification has taken a turn for the worse in Seoul. Policymakers should take the examples of Locality in the UK and other innovative initiatives, and find more effective measures to manage idle

public assets for the social economy, including real-cost disposal and management on consignment.

We should remember that the SMG can solve these remaining policy issues only by mobilizing the consensus and resources of a civil society and by garnering support from the Seoul Metropolitan Council and the National Assembly.

