



THE UNDERLYING PREMISE of this report is that SSE can be an innovative and significant means of implementation for the 2030 Agenda for Sustainable Development, both nationally and locally, given its distinctive features and functions. This potential, however, can only be realized if there is an enabling institutional environment, which includes public policies that effectively support and regulate SSE organizations and enterprises.

While lessons concerning appropriate institutional contexts can be learned from the experience of the pioneers and forerunners of SSE in the advanced industrialized countries of Europe and North America, the experience of later industrializers, such as the Republic of Korea, suggests that multiple pathways for

enabling SSE may in fact exist. The initial conditions under which SSE developed in these countries are different. The latecomers have at their disposal knowledge and lessons that were not available to the forerunners. Some latecomers are also driven by a very different policy orientation and developmental ideology. These include, for example, the imperative to “catch up” and the presence of highly interventionist states.

The case of social economy in Seoul offers a unique set of lessons which both the Global South and the Global North can learn from to innovate and develop their institutional and policy structures for SSE, and to realize the potential of SSE as a means of implementation of the SDGs at the local level. First, Seoul has witnessed a rapid expansion of the SE sector

over the last decade. The number of SEOEs increased from fewer than 100 in 2007 to 3,512 in 2016, while their contribution to gross regional domestic product and total employment in Seoul increased from 0.2 and 0.3 percent in 2011, to 0.5 and 0.5 percent in 2016, respectively (see Chapters IV and V). Second, because Seoul already had a sustainable development strategy, and a public policy approach to the social enterprise sector, it was possible for the municipality to integrate the two in its localized SDGs. Last but not least, the rapid expansion of the SE sector and development of SDG strategies, including the localized SDGs, have taken place within a governance framework that fosters public–civil society partnership.

This chapter summarizes the discussions of the previous chapters on the potential of SSE as a means of implementation for the SDGs, its role in the development trajectories of the Republic of Korea, and of Seoul more specifically, as well as whether the actual impacts of Seoul’s SEOEs are contributing to achieving the localized SDGs, and key challenges and opportunities for realizing the potential of SSE. The chapter concludes with policy lessons, findings and recommendations that policy makers and development practitioners, not only in Seoul and the Republic of Korea but also beyond, can learn from and adapt in order to promote inclusive and sustainable development.

SSE for the localization and implementation of the SDGs

SSE’s potential to be an innovative means of implementation of the SDGs is manifold. The attributes expanded on in the paragraphs below give SSE a comparative advantage as an effective means of implementation of localized SDGs. However, this advantage can only be fully realized if there is an appropriate institutional and policy environment. The potential of SSE lies in its capacity to address the limitations of previous efforts to implement internationally agreed development initiatives and approaches at the local level. As noted in Chapter II, the experiences of local economic development, decentralization and the “bottom of the pyramid” approach, for example, often failed to address the following four issues which are key attributes of SSE and characterize its comparative advantage.

Integrated and balanced approach

With its tendency to internalize rather than externalize environmental and social costs in its economic activities, SSE can reduce potential conflicts and tensions between development goals. Based on democratic self-management and solidarity within and beyond organizations, SSEOs can play a constructive role in reconciling the diverse interests of local actors and facilitate their cooperation in the management of common pool resources. The attention paid by SSE to social inclusion and cohesion provides a basis for the empowerment of vulnerable and excluded people, particularly women. Also, given its relations with a wide range of actors in the economic, social and environmental sectors, SSE can catalyse coordination and collaboration, prerequisites for an integrated and balanced approach to development. Unequal power relations, elite capture or co-optation of SEOEs, or dependency of SEOEs on state support constitute obstacles to the full utilization of these advantages. In alliance with progressive social movements, however, SSEOs can often organize and mobilize to overcome structural and institutional constraints that impede integrated and balanced approaches for transformative change.

Designing locally specific development goals

SSE organizations, based on guiding principles of democratic self-management, solidarity and cooperation, can be key players in the establishment of locally specific development goals. Centred on local circuits of production, trade, consumption and investment, SSE serves local interests more directly than other market actors. SSEOs’ relations with public and private actors often become a conduit for contestation, negotiation and compromise, which are prerequisites for reconciling the diverse local interests associated with development goals and targets. Policy incoherence between local and national development goals, as well as tensions between local and national governance systems, can undermine the positive impacts of local development initiatives. Multilevel governance systems need to be established where actors across the sectors and levels can negotiate and compromise over development policies and strategy.

Empowerment of actors

SSE organizations, notably cooperatives, which are often intertwined with broader social struggles to promote the interests of the most vulnerable members of society, can play a key role in empowering hitherto marginalized and excluded people. Addi-

tionally, empowering women through various SSE organizations has important spill-over effects on women's empowerment and emancipation in both the public and domestic spheres. This is a key element in localizing the SDGs. The capture or co-optation of SSEOs by elites or by the state, and their instrumentalization, is a risk that may hinder the possibility of translating empowerment into the transformation of unjust structures. Strong alliances with other pro-poor social movements and the presence of effective participatory democracy mechanisms can counteract such pressures, strengthening the bargaining power of SSEOs and reducing the scope for instrumentalization.

Subsidiarity based on solidarity beyond locality

When actions are taken to meet specific local needs without considering the broad principle of solidarity, or other localities' needs, the results can be contradictory for the process of attaining the SDGs and leaving no one behind. Interactive governance, which can strengthen horizontal, vertical and diagonal networks within and between actors at local, national, regional and global levels, is crucial for meeting specific local needs without sacrificing solidarity across levels and areas of governance. In other words, subsidiarity needs to go hand in hand with solidarity beyond the locality. With diverse networks across geographical regions and levels of governance, SSEOs can potentially contribute to enhancing subsidiarity based on solidarity, since they are often the first to experience the negative consequences of skewed local development. By exchanging local knowledge and experience, they can contribute to establishing sustainable local solutions across areas, in collaboration with networks of local authorities.

Competition, negotiation and compromise between approaches to SE in Seoul

How are SEOEs in Seoul faring in addressing problems of local development, specifically those issues associated with the city's localized SDGs? What are the nature and forms of SEOEs, and how are their distinctive features, in terms of norms, values, activities and relations, facilitating or hindering the process of localizing the SDGs and working toward the achievement of specific targets and goals in Seoul?

Top-down and bottom-up approaches

Ever since early forms of SE began to emerge during the colonial period (1910-1945), SEOEs have been used by governments, grassroots social movements and CSOs. For almost four decades after the Republic of Korea gained independence from Japan in 1945, both top-down approaches of authoritarian governments and bottom-up approaches of grassroots democratic movements shaped the development trajectory of the social economy and SEOEs in various forms. Firm control over financially and economically viable institutions that conformed to the export-oriented industrialization strategy was the rationale behind state support for the development of cooperatives, which were initiated and supervised by authoritarian governments from the 1960s to the 1980s. At the same time, a grassroots movement that gave rise to other forms of SEOEs was nurturing and mobilizing people's political and economic power against the ruling elite. As a centre of political and economic power, Seoul was a space where diverse approaches to SEOEs competed, negotiated and compromised around these top-down and bottom-up approaches. Some SEOEs played the role of an extended arm of the government to control the economy; others were relatively autonomous and independent from government control. Various forms of cooperatives developed and their numbers increased. Credit unions and *Saenghyup* cooperatives that bridged rural producers and urban consumers played a particularly important role in the bottom-up approach and produced SE activists and leaders.

Democratization and decentralization over subsequent decades, as well as economic shocks such as the Asian financial crisis, opened windows of opportunity for SEOEs in the Republic of Korea. In a context where the government set about expanding productive welfare policies as a major policy tool to address the problems of economic crisis, such as poverty and unemployment, grassroots organizations in poor areas were recognized as an important partner and were able to expand their economic activities. Various civil society organizations that formed in the aftermath of the Asian financial crisis, many of which were based in Seoul, actively participated in addressing issues of poverty and unemployment and became the key drivers of the SE movement. The national government established several laws and decrees, such as the SEPA and the FAC, that recognized and supported SEOEs of different types. SEOEs proliferated within these legal frameworks.

Co-construction of policies and establishment of an SE ecosystem

In the above context, favourable fiscal conditions and an abundance of human and organizational resources at the grassroots level enabled the development of SE in Seoul. Under the administration of Oh Se-hoon (2006–2011), financial incentives and other support policies focused narrowly on specific legal forms of SEOEs (largely CSEs and PCSEs) and their role in achieving national development objectives related to poverty alleviation through job creation. The participation of SE actors in the policy-making process was very limited.

The administration of Park Won-soon (2011–present) departed from the previous policy regime, fostering public–civil society partnerships for the co-construction of SE policies and their implementation. What emerged was a new policy approach and an ecosystem for SE aimed at promoting diverse forms of SEOEs engaged in multiple activities, not only focusing on job creation and poverty reduction but also other objectives such as empowerment and renewable energy production.

Another significant departure from the previous policy regime relates to policies for sustainable development. While the Oh administration did have policies and an organizational structure for sustainable development, there was a bias towards national policy objectives that prioritized the economic aspect of sustainable development, such as green growth. The Park administration rebalanced all three dimensions of sustainable development, with SE actors participating in the public–civil society partnership underpinning policies for sustainable development. The resulting policy framework and ecosystem has seen the SE sector in Seoul expand rapidly since 2012 in terms of the number of enterprises and revenues (see Chapter IV). In December 2016, Seoul's SEOEs had total revenues of KRW 1,960 billion (about USD 1.96 billion), which accounted for about 0.5 percent of Seoul's GRDP, and employed 19,800 employees, 0.5 percent of all employees in Seoul. The SEOEs have demonstrated a strong comparative advantage in creating jobs, but less so for revenues. In 2016, SEOEs in operation in Seoul created 8.8 new jobs on average, while the average for all newly established enterprises (including many SEOEs) was 9.8 new jobs created. The comparative situation of SEOEs, is, however, very different when it comes to generating revenues. The average revenue per SEOE amounted to KRW 875 million in 2016, just 24 percent of the average revenue of all newly established enterprises.

SEOEs and sustainable development

Although the contribution of SEOEs to the total economy is small, their impact on the employment of poor and vulnerable people is significant (see Chapter V). About 40 percent of employees in SEOEs in Seoul are estimated to be from vulnerable and poor groups. Seoul's CSEs and PCSEs produce high social returns, such as salaries and contributions to major social insurance programmes, for vulnerable groups at a rate of almost 13 times the amount of financial investment in CSEs and PCSEs. In contrast, the ratio of total salary to new investment in 2016 in the case of for-profit enterprises with more than KRW 50 billion in stockholder's equity was estimated at only around 71 percent.

The average wage in CSEs and PCSEs is lower than the national average. However, the average wage in the lowest quintile of the wage scale (the bottom 19 percent) of CSEs and PCSEs is higher than in for-profit enterprises. This suggests that CSEs and PCSEs are having a positive impact in terms of reducing both inequality and poverty, which contributes to achieving Seoul's SDGs 1 and 10.

Seoul's SEOEs also contribute significantly to the provision of care services, which are a key means of implementation of Seoul's SDGs 3 and 4. The data demonstrate that PCSEs and CSEs in social care sectors in Seoul produce high social returns in social service provision, particularly in relation to elderly and child care. Every KRW invested in Seoul's CSEs and PCSEs in care sectors like nursing/home-based help, social welfare, and health/child care generated a social return equivalent to KRW 31.0, 20.1 and 17.6, respectively, in terms of income and social services provided to vulnerable groups. The overall return to Seoul as a whole in care service provision is greater, generating social returns equivalent to KRW 39.6, 25.0 and 21.7, respectively.

SEOEs in Seoul, in particular cooperatives, have been a major supporter of the Seoul Metropolitan Government's policy initiatives for safe and sustainable energy. In 2014, the SMG selected seven energy companies and cooperatives to install solar panels in individual households, under a government subsidized scheme. Four of the seven are cooperatives, which installed solar panels in 18,591 households during the 2014–2017 period. This accounted for approximately 65 percent of the total sales of the seven enterprises. Through these households, the cooperatives have contributed to the generation of more than 5.58 GWh annually. This is still,

however, only a small proportion compared to Seoul's total solar power production of 224.9GWh in 2016. If we include the other 15 energy cooperatives involved in renewable energy production in Seoul, and assume that they have a similar capacity to install solar panels as the cooperatives that participate in the government programme, then the total contribution of cooperatives to solar energy production could be 26.5GWh, around 12 percent of the electricity generated in Seoul by solar panels. As Seoul's SDG framework document emphasizes, policies for a transition to renewable energy are a major means of implementation of S-SDG 7 and S-SDG 13. SEOEs are gradually increasing their capacity to contribute to achieving these goals.

Strong participatory practices and democratic decision making, as well as solidarity-centred organizational management, are key determinants of the impact of SSE in relation to political dimensions of sustainability. They are also prerequisites for the effective co-construction of policies. The number of SE-related events in Seoul (policy dialogues, workshops, fairs, seminars, forums, conferences, and so on) has grown in the past decade, demonstrating an expansion of the public sphere which has allowed the voices of SEOEs to be heard more widely. The results of UNRISD's survey on the attitudes of CSE actors towards the participation of women in decision-making processes and towards foreigners show that CSEs help build participatory democracy and make the work environment more equal, inclusive and cohesive for all people. Participatory democracy and solidarity are important elements that cut across all the S-SDGs.

Seoul's SDGs

After a long participatory process, the SMG announced its SDGs in November 2017. As in the 2030 Agenda, there are 17 goals. S-SDGs 2 and 14 have been reinterpreted with a focus on urban agriculture and the restoration of the Han River ecosystem, to better reflect the specificity of the sustainability challenge in Seoul. These adjustments, and the city's 96 targets, are closely associated with policy concerns and existing projects of the SMG. The principle of leaving no one behind underpins most of the goals and targets in Seoul's SDG framework document. However, a transformative vision for changing the structures that generate injustice is less prominent.

Seoul's localized SDGs have a dense network of connections between targets and goals (see Chapter VI). The nature of the connections demonstrates

several unique features of the S-SDGs compared with the 2030 Agenda. First, the S-SDGs have more targets addressing multiple goals. This indicates a broad range of potential impacts of the S-SDGs across multiple dimensions of sustainable development. Second, unlike SDGs 7, 9 and 14 of the global Agenda, which do not have connections with targets of the other SDGs, there is not a single S-SDG without support from the targets of other S-SDGs. Third, the global Agenda and the S-SDGs have different degrees of connections between the goals and targets. For example, S-SDG 10 (Reduce all forms of inequality) and S-SDG 5 (Achieve a social environment with gender equality) are more supported by the targets of the other S-SDGs than the corresponding SDGs of the 2030 Agenda. The number of targets contributing to specific goals varies when the global and local (Seoul) frameworks are compared. While the number of targets contributing to S-SDG 1 is smaller than that of the 2030 Agenda, the number contributing to S-SDG 3 (Ensure healthy lives and promote well-being for all citizens) and S-SDG 8 (Promote inclusive and sustainable economic growth and decent jobs) is larger. This partly reflects a growing policy concern in Seoul about inequality and scarcity of jobs, particularly as they affect younger people, as well as poverty, which in turn is related to the increasing influence of youth in mobilizing political support. As in the case of the 2030 Agenda, the S-SDGs related to environmental objectives have weak support from targets related to other goals.

SEOEs' contributions to achieving Seoul's SDGs

A network analysis of 249 CSEs carried out for this report found:

- Seoul's SEOEs have strong potential to contribute to achieving all the S-SDGs, particularly S-SDGs 10, 1, 11, 8, 4, 12, 3 and 9.
- In terms of multiple and interconnected functions, CSEs contributing to S-SDG 10 are more likely to have missions and functions that address S-SDGs 1, 4, 8 and 11, thereby creating a functional nexus between goals related to inequality, poverty reduction, urban sustainability, economic growth, decent work and education. They also frequently engage with S-SDGs 3 and 9. For instance, one CSE studied was an NGO providing counselling services to foreign migrant workers and multi-cultural families. While continuing its counselling services,

the NGO became a social enterprise providing education and health care services, thereby contributing to S-SDGs 3, 4, 10 and 11.

- Relatively less significant are the functions and missions of CSEs addressing S-SDGs 2, 5, 7, 13, 15, 16 and 17. It is notable, however, that while the number of CSEs addressing S-SDG 2 (urban-rural distribution system and urban agriculture), and 5 (gender equality) is small, they contribute to as diverse a range of S-SDGs as the CSEs contributing to S-SDG 10, namely, S-SDGs 1, 3, 4, 8, 9, 11, and 12. In particular, the CSEs addressing S-SDG 5 engage with various activities associated with other S-SDGs. This indicates that although the number of CSEs addressing gender equality is small, they are trying to address gender issues in multiple dimensions.
- No CSEs in Seoul state that their mission or function is to address goals associated with S-SDG 6 (Healthy and safe water) and S-SDG 14 (Restoration of the Han River). Considering the number of SMG projects associated with these goals, CSEs have ample opportunities to explore economic activities associated, for example, with restoration of the Han River, quality control of piped water, groundwater control, recycling of rainwater, environmentally friendly water purification plants, and control of quality and safety of the Han River and other rivers.

Limits, tensions and opportunities

Despite the many positive aspects of Seoul's SE sector, in terms of its impact and potential vis-à-vis the SDGs, various limits and tensions remain to be addressed.

First, the SMG or district government-led development of SE has resulted in considerable dependence on subsidies. There is a relatively high number of registered but non-functioning cooperatives, many of which are those that do not receive direct financial subsidies. This raises a question about the sustainability of other forms of SEOEs if and when subsidies are reduced or terminated. Policies need to go beyond financial incentives and create an environment where SE can easily access affordable private resources and consequently create a competitive and fair value chain of SE products and services.

Second, establishing participatory public-private governance mechanisms for SE in Seoul has significantly empowered SE actors. In a context where SE has become a political symbol of the current mayorship, further expansion of these empowered SE actors may be challenged by the political opposition. The limited participation of district mayors that belong to the opposition party in policy dialogues related to SE shows that this risk is real. Allowing SEOEs more independence and autonomy could minimize any instrumentalization by a specific political party and, consequently, politicization along party lines.

A third problem is the siloed bureaucratic structure dealing with SEOEs. Lack of coordination among national government ministries and offices, as well as different priorities regarding SEOEs and their roles, have resulted in the SE ecosystem having a fragmented structure in Seoul. Even within City Hall, the Social Innovation Bureau dealing with Village Enterprises does not collaborate closely with the Department of Social Economy. District governments are often excluded from the policy-making process even though they are the ones that must implement the SMG's policies and interact directly with SE organizations located within their administrative boundaries. Also, there is no leading department to coordinate and monitor the whole process under the SMG.

Fourth, SEOEs, particularly SREs, CSEs and PCSEs, run the risk of gendering low-paying and low-skilled labour intensive jobs. For instance, the nursing and elderly care sectors, the biggest sectors for SREs in terms of employment and financial turnover, provide mostly women with labour-intensive, low-paying jobs.

Fifth, although the average wage of the lowest remuneration bracket of SEOE employees is higher than in the equivalent bracket of for-profit enterprises, the average wage of the middle and upper remuneration brackets of SEOE employees is far lower. As a result, SEOEs find it difficult to recruit and retain middle- and higher level managers, and workers who are equipped with the necessary skills, knowledge and experience and need to be paid accordingly in a competitive job market. This limits the capacity of SEOEs to professionalize and scale up their activities.

Sixth, policy incoherence, particularly that arising when national policies constrain the development of SE, can undermine the local government's capacity to achieve localized SDGs. Since 2017, there have

been efforts under way to establish a legal framework which covers all SEOEs (known as the Framework Act for Social Economy).¹ If successful, this could be a way to address various forms of policy incoherence.

Structural constraints have a similar effect. For instance, one of the challenges in encouraging the installation and use of solar energy is the low rate of home ownership in Seoul. Renters find it difficult to install a solar power system since it is the landlords that make virtually every decision about the residence. The fact that energy saving is largely dependent upon the landlords' decision means that low home ownership poses a structural constraint on low-income residents becoming energy producers. A combination of national and local government policies need to address these structural constraints, in order to make the SMG's efforts to integrate small-scale solar energy production in its energy transition policies effective.

Seventh, the mechanisms available for financing SEOEs need to be diversified. While the growth of the Social Investment Fund in Seoul is good news, SEOEs' limited access to other sources of financing, such as credit unions, is a significant constraint. The SMG could shift its policy efforts from the provision of public subsidies to the design of an appropriate regulatory framework for private sources of financing that guarantees and strengthens the independence, norms and principles of SE.

Making SSEOs effective means of implementation of localized SDGs

Emerging from this study are various lessons and policy recommendations on how to make SSEOs an effective means of implementation of the localized SDGs. Although they are not generalizable in all contexts, they provide pointers that can help policy makers in diverse local and national settings learn, adapt and innovate.

- 1** Public policies in the Republic of Korea have played a key role in expanding and developing the SE sector in recent years, through legal recognition and support for grassroots SEOEs. The Seoul Metropolitan Government, in particular, has helped SEOEs to scale up by providing not only multiple direct forms of support, but also an institutional setting that fosters participatory governance, public-civil society partnership and the development of an enabling ecosystem. Support policies and governance mechanisms, however, need to allow SSEOs enough autonomy and independence to retain and strengthen their core values and principles, which is crucial to avoid excessive instrumentalization and politicization.
- 2** SEOEs in the Republic of Korea, particularly in Seoul, play a significant role in creating synergy between the social economy and the expanding welfare state, given the active role of new forms of SEOEs in social service provisioning. Unlike many countries where the state has turned to the SE sector as a means of downsizing the welfare state or in contexts of austerity, the case of the Republic of Korea and Seoul show how SE and the state can work in partnership to broaden social policy and realize social rights. Forging a broad alliance involving social movements for democracy and social and economic inclusion and SSE actors can play a significant role in strengthening the capacity of SSE organizations to create synergies with national policies, as seen in the case of Seoul's SE in the late 1990s.
- 3** Utilization of existing local assets and resources is crucial to the development of SSEOs. The organizational infrastructure and human resources of the SE sector, which had been formed over several decades, were effectively utilized when the SMG established a participatory public-private partnership and ecosystem approach.
- 4** A coherent policy framework across different levels of governance is essential to support locally based SSEOs. As noted in relation to housing and renewable energy in Seoul innovative policies need to be developed to address structural constraints which are largely determined by national policies and legal frameworks.
- 5** Sustainable financing is the biggest challenge confronting the growth and development of SEOEs in Seoul. Although the SMG has launched a series of policies, as shown in preferential procurement and the Social Investment Fund, they are limited to certain types of SEOEs. Many SEOEs, such as cooperatives, have limited access to those funds. Public policies and institutions need to create an enabling regulatory environment where SSEOs can easily access private financing without undermining their core values and principles.

- 6** Local democratic mechanisms, including both electoral and participatory mechanisms, have been crucial for the growth of SEOEs in Seoul. The caveat is that mechanisms need to avoid being overly politicized in party political terms. The politicization of SSE can undermine the long-term sustainability of policy support if and when another party assumes office. Greater autonomy and independence of SSEOs can be one of the best ways to avoid such politicization.
- 7** While collaboration with the government can maximize the impact of SSEOs with regard to localizing the SDGs, it also runs the risk of instrumentalization by the government. Support policies and the focus of Seoul's SEOEs on specific aspects of social exclusion and job creation, which is not problematic itself, can be a potential obstacle to the development of an SE sector that pursues an integrated and balanced approach to economic, social and environmental objectives.

ENDNOTES

¹ The Framework Act for Social Economy was included in the election manifesto of Moon Jae-in (elected president in 2017). Since then, his government has sought to have the bill passed in the National Assembly. SEOEs, for their part, have formed a coalition called Citizen's Action for the Establishment of the Framework Act for Social Economy to lobby policy makers (see Kwark, Sookeun, 2017 and Park, Seonha, 2018).

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