Seoul Metropolitan City Social Economy Policy Performance and 2018 Action Plan

To build a "social economy city, Seoul," Seoul Metropolitan Government (SMG) implements public-private collaborative social economy model in 2012 (first in Korea by local government) Project performance reviewed; 2018 action plan formulated.

I Background

Economy

○ Slowdown in economic growth since global financial crisis in 2008 (2~3%) → Low economic growth continued

○ Sluggish business investment (internal reserve funds of top 30 businesses in 2016: KRW 76.0 trillion); lowest household income growth rate in 2016 in six years

Employment

○ Unemployment rate (5%) in 2018, highest in ten years; second highest youth unemployment rate

○ Share of non-regular employees at 32.8% of total workforce in 2018; record high wage gap between regular and non-regular workers

1 of 3 workers: non-regular positions (32.5%)
Low wages, job insecurity

wage gap
regular employees
non-regular employees
employment insurance rate
regular employees
non-regular employees

Social and welfare environment

○ Unstable social safety net for low-income elderly and other socially vulnerable groups; deepening social polarization; soaring wealth inequality

* Goals of social economy: job creation + presenting solution to social issues such as housing and the environment
Progress

Performance Analysis during the 6th mayorship

Social economy efforts of SMG have achieved remarkable quantitative and qualitative growth for past five years

- Social economy enterprises increased five-fold in number; sales and employees doubled.
  - Number of social enterprises: 819 (2012) → 3,914 (2017) (five-fold growth)
  - Sales of social enterprises: KRW 687 billion (2012) → KRW 1.5 trillion (2017) (doubled)
  - Employees of social enterprises: 9,300 (2012) → 17,500 (2017) (doubled)

- Sustainable development of social economy achieved through expansion of public purchase markets and responsible purchases

- SMG promoted impact financing by establishing nation’s first local government social investment fund, issuing Social Impact Bonds (SIB)
  - Provided long maturity loans (8 years) at low interest rate to support job creation and social housing construction

- Social Innovation Office of the Office of the President (2018), and Seongnam City and Hwaseong City of Gyeonggi-do (2015) visited for benchmarking
  - Issued SIB as first city in Asia, (Ministry of the Interior and Safety learn about SIB and its manual)

- SMG established governance through “social economy private-public policy council.”
  - Discussed overall process from project planning and budgeting to project execution and assessment
  - Council comprising specialists, activists, and leaders of various sectors held at least monthly

Assessment and tasks

- Specialists: SMG’s social enterprises boost employment of socially vulnerable (accounting for 41% of total employees)

- Media: “SMG’s 11 social enterprises, each with annual sales of KRW 10 billion prospers.”

- Tasks: consistent efforts to build social economy ecosystem by enacting social Enterprise Promotion Act
  Developed business model to solve problems faced by Seoul citizens in daily lives.

Paradigm shift in social economy support policy

- In April 2012, by establishing a comprehensive support plan, a focus has shifted from financial support for individual companies to building an ecosystem to ensure self-reliant sustainable growth of social enterprises.
  - Building ecosystem: education, manpower training, support for management and marketing.

- Support to help districts to build social economy ecosystem and establish a cooperative framework by sector
  - 21 district support centers, 13 promotion centers, 11 social economy special zones
  - Cultivated network of social enterprises, and supported cooperative projects by industrial sector and
2011: KRW 11.6 billion → 2016: KRW 85.6 billion → 2017: KRW 115.7 billion → 2018: KRW 130 billion

- Purchases of social enterprise products by public institutions (city, districts, government funded institutions, etc.) increased

2011: KRW 11.6 billion → 2016: KRW 85.6 billion → 2017: KRW 115.7 billion → 2018: KRW 130 billion

- Operated social economy marketplace and online shopping malls to promote sale of over 4,000 products from 354 social enterprises

Laying groundwork for SMG’s social economy development support
- March 2013: enacted “Ordinance on Seoul City Cooperatives Promotion and Support”
- March 2014: enacted “Ordinance on Promotion of Purchase of and Support for Marketing of Products of Seoul City Social Enterprises”
- May 2014: enacted “Framework Ordinance on Seoul City Social Economy”

Policy planning and implementation system led by private-public governance
- March 2013, organization and operation of “Seoul City social economy private-public policy council” → reflect opinions of civic societies on policy planning and execution process (monthly)

Building international solidarity and cooperative network
- Global Social Economy Forum (GSEF) inaugurated; general assemblies convened 2014, 2016, 2018
- Asia Network for Young Social Entrepreneurs held to strengthen international solidarity and collaboration

Action plan for 2018

SMG fostered policy environment strengthening social economy ecosystem across municipal administration
- Social enterprises, impact investors, public institutions, intermediate support organizations united to build virtuous cycle of job creation, economic growth, resilience

Cultivation of social enterprises through customized support by stage of corporate growth

Expansion of public purchases
- KRW 100 billion (target of 2017) → KRW 130 billion (target of 2018)

- Diversification of public purchase transaction types; shift from purchase of products to procurement of social services (e.g., healthcare, urban regeneration projects)
- Promotion of social economy online shopping mall (HK Nuri Mall): sale of 2018: KRW 3 billion
**Exploration of sales routes on private markets**
- Support to explore private market sales routes such as consumer cooperatives, large online shopping malls, discount markets, and marketplaces
- Encourage transactions between social enterprises; provide information on product strengths/weaknesses (by enterprise)

**Tailored support**
- Capacity building through support tailored to characteristics of individual enterprises and the stage of transition where each enterprise sits.
- Lend fiscal support (KRW 11.3 billion) for personnel costs, business development, job creation
- Strengthen competitive edge of social enterprises by comprehensive support covering product development, marketing, accounting, management consulting, and promotion

**Cultivation of innovative projects and outstanding firms**
- Support business models of 30 firms aiming to solve social issues (e.g., housing, care for socially vulnerable, through social economy scheme

**Building key base fostering social enterprises by district**
- Total of 23 districts open social economy support centers, secure 13 cluster spaces, arrange spaces for markets, create jobs in 2018
- Districts set up individual social economy ecosystems with strategy, oncoctors, and collaboration projects

**Expansion of social investment fund that has funded municipal projects such as solar energy and social housing**


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<th>Increased sales of social enterprises and job created</th>
<th>Facilitated key municipal social projects</th>
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<td>Low interest, long-term loans worth KRW 74.4 billion to 281 firms</td>
<td>1,851 jobs created</td>
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<td>381 social houses constructed</td>
<td>*Youth cooperatives housing, *Mini solar energy</td>
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**Formation of impact investment cooperatives as the first local government in Korea**
- Foster social investment ecosystem and firms combining investment, professional nursery, and social value assessment
- Form impact investment cooperatives with KRW 6 billion + private social investment organization (private sector: KRW 4 billion, city: KRW 2 billion)

**Private financial institution matching loans**
- Expansion of support size and eligibility of social investment fund

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<th>Fund size: 2017 (KRW 76.5 billion) → 2018 (KRW 85 billion)</th>
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<td>Private fund matching: 2017 (KRW 3.6 billion → 2018 (KRW 5 billion)</td>
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**“Social Venture Hub Center” inauguration and operation (2018 budget—KRW 0.6 billion)**
- Create spaces for solidarity and collaboration among social ventures
- 15 social ventures (100 employees) move into center in area of 2,000㎡, center operated by commissioned operator
  - office, incubating room, meeting room, study room, networking space, etc.
  - March 2018—financial support granted to districts offering spaces

**Cultivation of social ventures through development of private-public collaborative projects (2018 budget—KRW 1 billion)**
- Collaborate with specialist institutions (accelerators) for solutions to social problems and create youth jobs
- Provide tailored support (e.g., business model mentoring, product development, sales channel exploration, investment attraction)

6. **World's largest “Fair Trade City Seoul” certification and declaration, July 2018**
- Participate in domestic and international fair trade activities as a member of international fair trade towns international
- Install fair trade vending machines in Seoul public facilities to boost fair trade products purchases