Establishing a Sustainable Social and Solidarity Economy Ecosystem
The Case of Daegu, South Korea

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18 June 2019

Draft paper prepared in response to the UNTFSSE Call for Papers 2018

Implementing the Sustainable Development Goals: What Role for Social and Solidarity Economy?
Abstract

How can social economy ecosystem be activated in areas where civil society is weak and there is no experience with public-private partnerships? The purpose of this study was to identify the mechanism of constructing the social economy ecosystem. The case of Daegu in South Korea provides implications for building social economy ecosystems not only in South Korea but also in other Asian countries that lack experience in public-private cooperation.

Keywords

Social Economy, Solidarity Economy, Social Enterprise, Ecosystem

Bio

Eun Sun Lee is an Assistant Professor in department of Economics at Gyeongnam National University of Science and Technology. Her research interests are in social economy, civil society, and governance. Her representative publication is "Social Enterprise, Policy Entrepreneurs, and the Third Sector: The Case of South Korea." In Voluntas 26(4). (eunsun@gntech.ac.kr)
Introduction

Social economy is based on citizen-centered reciprocity and solidarity, the role of grassroots civil societies based on local communities is very important. Therefore, in areas where civil societies are not active, it is very difficult to develop social economy. In a social economy ecosystem, governance among the civil society, local communities, and local governments is important. In existing governance discussions, civil society and governments assume equal partners. However, governments must recognize that they are hierarchical, with many resources and power (Agranoff, 2006; McGuire, 2006; Ansell and Gash, 2008). In general, governance builds trust either face to face or through discovered shared values: After this, governance achieves successful implementation. However, if there is a lack of cooperation between the civil society and the government, such as in South Korea, or if the two are hostile to each other or do not recognize each other as partners, face-to-face dialogue becomes an opportunity to confirm that the entities are different.

In South Korea, the 2007 enactment of the Social Enterprise Promotion Act (SEPA) led to the nationwide establishment and development of social enterprises (SEs). In Seoul, the concept of SEs was introduced in the early 2000s, and there are some organizations that call themselves SEs. However, there have been no discussions in South Korea about SEs except for in Seoul; even after the enactment of the SEPA in 2007, SEs outside of Seoul are very unfamiliar as a concept. In particular, South Korea has implemented a system of SE certification only for organizations that achieve certain conditions, and under these conditions, it can be difficult to establish SEs in regions where civil society organizations are not developed. Nevertheless, SEs have increased in number nationwide in the past decade, and they have diversified into various organizational forms such as cooperatives and village enterprises.

There are two unintended consequences that have arisen because SEs are fostered by strong government support. First, although there are ‘star’ SEs in each region, it is difficult to connect these individually with the ecosystem that an entire region constructs together; governments then provide concentrated support to organizations that make visible achievements in the face of a lack of regional civil society capacity. Second, it is difficult to build private-private networks; because existing private networks can sometimes act as entry barriers, it can be difficult to establish new regional networks or power relationships. This is because existing private networks tend to be too dependent on governments or on resource monopolies, a serious problem that can deteriorate private-sector solidarity in the long run. Daegu Metropolitan City is a region that has overcome these two consequences; it has built a model social economy ecosystem focused on the region, the civil society and the community. Located in South Korea, Daegu is an area called ‘the heart of conservatism’, and activities of civil society and public-private partnerships are quite unexpected. Today, Daegu has not only increased the number of but also succeeded with social and solidarity economy organizations (SSEOs) in areas such as a comprehensive distribution channel, youth housing and hip-hop dancing. However, this is an unexpected phenomenon that is difficult to understand in South Korea: How can social economy ecosystem be activated in areas where civil society is weak and there is no experience with public-private partnerships? The purpose of this study was to identify the mechanism of

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1 In 2007, 55 SEs were established in South Korea, and as of 2018, there were 2,104 SEs nationwide; so-called candidate SEs at the time numbered around 919 (http://www.socialenterprise.or.kr/ (accessed 17/04/2019). As of December 31, 2017, a total of 41,917 paid employees were employed, of whom approximately 61% are vulnerable (Ministry of Employment and Labour, 2018)
constructing the social economy ecosystem. The case of Daegu in South Korea provides implications for building social economy ecosystems not only in South Korea but also in other Asian countries that lack experience in public-private cooperation.

**Methodology**

This study is based on in-depth interviews and participant observation in Daegu; the author participated in seminars and forums organized by a third party. The author also used statistical data indicating jurisdiction over related social economy to show present conditions and growth. In addition, state papers, government reports and research papers on the social economy in Daegu were used.

<table>
<thead>
<tr>
<th>Table 1. List of Interviewees</th>
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<tr>
<td><strong>Affiliation</strong></td>
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<tr>
<td>Certified Social Enterprise 1</td>
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<td>Certified Social Enterprise 2</td>
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<tr>
<td>Candidate Social Enterprise 1</td>
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<td>Candidate Social Enterprise 1</td>
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<tr>
<td>Related Institutions</td>
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<tr>
<td>Certified Social Enterprise 3</td>
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<tr>
<td>Certified Social Enterprise 4</td>
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<tr>
<td>Certified Social Enterprise 5</td>
</tr>
<tr>
<td>Candidate Social Enterprise 2 &amp; Environmental Activist</td>
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<tr>
<td>Intermediary Organization</td>
</tr>
<tr>
<td>Candidate Social Enterprise 3</td>
</tr>
<tr>
<td>Daegu Sustainable Development Council</td>
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<tr>
<td>Local Sustainability Daegu Social Economy Council</td>
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<tr>
<td>Intermediary Organization</td>
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</table>

To understand how SSEOs contribute to sustainable development goals (SDGs), the author analysed public statements on their missions and activities using text mining and semantic network analysis methods, retrieving relevant SDGs that SSEOs can potentially contribute to through qualitative semantic analysis. The author also attempted to visualize these functional connections using quantitative metrics and semantic network analysis software data.

**Starting Conditions of Collaboration**

The core of collaborative governance is collaboration between organizations (Shergold, 2008). Power-resource-knowledge asymmetries, prehistory of cooperation or conflict (initial trust level) can affect incentives for constraints on participation (Ansell and Gash, 2008). In the case of Daegu, there were two remarkable experiences that influenced the establishment of social economy ecosystem, the first being private-public cooperation in environmental fields. Since the Rio Earth chart in 1992, South Korea promoted ‘Local Agenda 21’ to implement it. At that time, the Ministry of Environment organized this work and developed separate agendas for each
local government. Initially, the local governments were responsible for operations, and then in 2004, business operations were transferred to the private office, and the Promotion Council for Clean and Blue Daegu 21 was established. Although the agenda contained three balanced areas (environment, economy, and society), the actual budget was related to the environmental area, and the actual projects focused on the current environmental SDGs: 6, 7, 13, and 15. Daegu held the world's first solar city convention in 2004 and declared a vision for renewable-energy self-reliance by 2050, and the detailed government-led plan attracted solar and renewable energy companies to Daegu. It was from the Earth Day 2005 event that private sectors began to be recognized as targets of cooperation. The YMCA Environmental Movement Alliance and the Green Consumers’ Association carried out various campaigns that encouraged the culture of walking and energy conservation. This event organized by the local civil society has been regarded very successful, where dozens of volunteers - mainly undergraduates - gathered together. This unusual cooperation among elements of civil society occurred not because it was a trivial event that did not bring any tangible economic performance to the government - as government assumed - but because the events were of interest to civil society. For instance, young bulky male activists walked down the runway in red long johns - a typical inner wear for Koreans in winter to a music on a bright spring day, to show their presence in a revolutionary way and to improve their energy conservation awareness. This performance became one of the most word searched on the country’s leading portal site Naver. The city of Daegu was able to accomplish a remarkable achievement with small amount of money, and this event allowed the city government to develop trust towards the civil society to plan and implement local events and festivals. Meanwhile, with the change of mayor in Daegu, environmental-related projects began to slowly disappear.

The second event that stimulated the development of social economy ecosystem in Korea was the Ansim Village Community Movement in Dong District, Daegu. Ten years ago, Ansim was one of the poorest residential areas in the district, where people in the lowest income bracket resided. The area suffered constantly from airplane noise not to mention locating various factories including a briquette plant and a cement factory. The neighbourhood did not have any cultural facilities as earning a livelihood was the priority for the residents there. What the people of Dong district wished for in unison was having a village library in the neighbourhood. In 2007, residents launched a preparatory committee to spearhead the project. They collected books and money as donations and finally was able to rent out a small venue to establish the Atti Library. Children began to swarm into this shabby village library and naturally it became a meeting place for the mothers of the children and eventually, a co-child care system was initiated among the mothers. Other small groups were also formed, such as women’s study groups, due to the new venue, and these group activities eventually turned into a village community. Although the movement began with a library, it extended to the community-related SDGs: 3, 4, 8 and 11. Local residents worked together to procure for themselves of the necessary welfare services in the area. In fact, a cooperative movement called donghaeng (‘going together’) was established in this district. The cooperative, founded by leaders who carried out apartment community movements in the 1990s, gathered thousands of local residents and held local festivals. Since the establishment of the Atti Library, local festivals have been organized, and a private social economy network has been created, and these experiences led to the birth of various

2 After the establishment of the SDGs in 2015, the Promotion Council for Clean and Blue Daegu 21 was renamed the Daegu Sustainable Development Council. The council is organizing a study group in the private sector and carrying out campaign-oriented events.
cooperatives. Throughout the year, four village enterprises and cooperatives were created almost simultaneously, and as of 2018, more than 20 co-operatives, village enterprises and SEs throughout the Ansim region have been created through expanding and reproducing existing organizations.

**Catalyst of Collaboration: Social Enterprise**

In South Korea, discussions of social economy began to take place in earnest following the nationwide expansion of SEs. The Korean government has adopted a system whereby authorized organizations that are accredited as SEs upon achieving specific criteria, as well as organizations that are certified as SEs, receive financial support from the government. However, it is not easy for many NPOs, cooperatives and small businesses to achieve SE certification. Most of Daegu's early SEs were job creation projects centered on vulnerable groups; in those days, except in Seoul, local governments generally had no interest in social economy, and support from large companies such as scholarships was also superficial. Initially, the Ministry of Labour directly provided financial support for certified SEs, but in 2009, it designated private consignment agencies in wide area units to perform substantive work. These units were intermediary organizations (IOs), and they provided almost all practical support, including establishing and operating SSEOs and allocating budgets. Therefore, the capacity of intermediary organizations is very important for the region’s social economy ecosystem. Currently, there are 915 SSEOs in Daegu, and Details of these organizations are shown in the following figures and tables.

![Figure 1. Numbers of Social Economy Organizations in Daegu](image)

Source: Request of information disclosure (Daegu metropolitan city, January 29, 2019)

**Table 2. Number of employees**

<table>
<thead>
<tr>
<th>Year</th>
<th>Social Enterprise</th>
<th>Candidate Social Enterprise</th>
<th>Village Enterprise</th>
</tr>
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<tbody>
<tr>
<td>2016</td>
<td>889</td>
<td>302</td>
<td>473</td>
</tr>
<tr>
<td>2017</td>
<td>838</td>
<td>347</td>
<td>424</td>
</tr>
<tr>
<td>2018</td>
<td>900</td>
<td>341</td>
<td>471</td>
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</table>
Dynamics of Private-Private Cooperation

As noted above, under the Korean government’s current accreditation system, it is difficult for many NGOs, cooperatives and small businesses to achieve the certification as SE, and for these companies, networks are the key to solving this problem. In South Korea, civil society organized both formal and informal networks to exchange information and resources, and some also provided lectures about social entrepreneurship. In the early days of SE development, these private networks were clearly the sources of positive social capital. Over time, however, these networks appeared to compete for resources or to expand their forces rather than collaborating with each other.

In 2011, village businesses were started under the Ministry of the Interior and Safety, utilizing local human and material resources. In 2012, the Cooperative Basic Law was enacted, and efforts were made to revitalize cooperatives around the Ministry of Economy and Finance in earnest. As each SSEO was activated by its respective department, existing networks in the region focused on fostering and helping their organizations. However, they lacked the time and resources to cooperate with each other; the more robust a differentiated network is, the more difficult it is to establish a whole social economy ecosystem. In Daegu as well as other parts of the country, the networks centered on civil society activists and cooperative networks were already settled down with influential power. Therefore, SSEO that did not belong to this group were had to be scattered across the city.

The cooperative fair that was held in Daegu in 2012 became a turning point for Daegu’s private-private networks: An intermediary organization incurred the expenses for the exposition, but that organization did not directly conduct the business operations. Rather, the intermediary organization distributed its business expenses by examining whether at least five SSEO in the local districts could cooperate to produce one joint project. SSEO in Daegu did not have experience in collaborating with the government, and they did not have the training to perform at the annual fair either. In the first year, cooperatives and some SEs participated in the projects, and multiple joint projects were produced from the same area, resulting in smaller budgets for each project. Therefore, the guideline was changed in the following year: only one joint project from the same area could receive the budget. With the change in the guideline, SSEO at local districts were gradually able to find partners and cooperate with each other regardless of their SSEO type. During this process, the civil society trained the SSEO, while the intermediary

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3 A dollar is equivalent to approximately 1,113.5 won in Korean money (2019.01.28).
organization took into consideration how to fund projects democratically, and private networks for collaboration have developed naturally around the local districts. At that time, public officials in the city of Daegu had little interest in fostering SEs, making field activists of the social economy to join forces and stick together. In Dong District, as it had experienced with the Ansim village community activity, residents gathered together organizations that could do as much as possible without making distinctions between village enterprises, SEs or cooperatives and these made up the first local district social economy network in Daegu. In particular, network leaders who were public NGO and NPO activists set up a private council and established a stable system in a short period of time in Dong District. Prof. Jun from Yeungnam University has been attending the Dong District Social Economy Learning Forum once a month since March 2015. Because of the participation of influential universities in the region, the Dong District office recognized the social economy as a major task and created a separate social economy team under its Job Creation Division. Administratively, a team that is in charge of the social economy exclusively was installed at a local district level, prior to the city level, and the budget was very small. However, the creation of an exclusive SSE team was highly symbolic, representing a formal collaboration between area residents, intermediate organizations, the Dong District Office and academia. Each participant agreed on how to take advantage of public-private cooperation to address and overcome problems in the district. Following the increase of the support for diverse SSEO, friction among village enterprises, SEs, cooperatives and self-help enterprises in Daegu began to appear as other regions. However, the Dong District case of synergistic cooperation among SSEO of all types has served as a benchmark for the establishment of an integrated private network in other districts; in fact, there is an integrated private network in all eight basic local districts of Daegu.

**Dynamics of Public-Private Cooperation**

There have been two occasions for civil society to become partners in Daegu city cooperation. The first was the priority on purchasing products made by SEs in the initial attempts to develop them. At that time, public officials in Daegu expected low-quality products from SEs because of the stereotype people have of the SE products; in those days, most SEs in Daegu were not SEs with innovative ideas but self-help enterprises that were turned into SEs, and SE leaders were long familiar with the hierarchical relations in governments and corporations in conservative Daegu. Therefore, they produced and delivered products that would meet the government’s needs as much as possible. As the volume of transactions increased, the cooperation was increased, as did trust in SEs.

The second event that triggered civil society to become partners in Daegu city cooperation was the cooperation of intermediary organizations. In 2007, the Ministry of Labour was directly responsible to support SEs in the whole country for the three years after the SE promotion policy was implemented. As SE development at the local government level began in earnest from 2011, the work of local government surged. Local governments looked at SEs as a part of job creation while social entrepreneurs and intermediary organizations continued to show differences in opinions because they viewed social economy as an alternative to the market economy. In Korea, the majority of intermediary organizations and activists report that it is difficult to collaborate with local government officials because of administrative red tape or lack of understanding of the social economy. However, Daegu’s intermediary organizations and activists responded in a typical way: “Because the number of public officials is small and the
workload is large, it is difficult for them to do everything”. Based on this perception, the intermediary organization continued to collaborate with government officials in Daegu, effectively communicating the support and joint projects needed in the field. The members of the Daegu City-Private Social Economy Network-Intermediary Organization have been cooperating with each other, and Daegu City’s view on the social economy began to change as it began to show achievements. In fact, 2014 was a milestone year in which the Daegu Metropolitan mayor’s election received great attention nationwide. At that time, the intermediary organization managed to gather together nearly all social economy organizations in Daegu, and put them in the same room with the mayor candidates. They held a meeting and signed a memorandum of understanding that whoever was elected mayor would keep his or her promises to support SEs in Daegu. After the election, the SE Division was established, and the number of public officers who took charge of SEs increased from two to ten. Young-jin Kwon, the new mayor, said, “The civil society is doing well in the sphere of the social economy, so what public officials should do is to support them from behind, not in front”. Since then, Daegu City has been devoting itself as an assistant to the field, not in fostering social economy led by the public officials. The culture of civil society and Daegu City government officials that mainly focus on the intermediary organization have frequently met and discussed issues large and small, including visiting other provinces. This has become a culture of cooperation that will continue even if the officials in charge change. Intermediary organizations in Daegu are now key actors connecting public and private sectors.

Social Enterprise’s contribution to the SDGs

Field surveys and interviews show that Daegu’s social economy experienced a major change with the 2012 private-private network activation due to the strategy of intermediary organizations and the 2014 replacement of the mayor. It is possible to divide the network analysis into three periods. Figures 2, 3, and 4 illustrate the diverse pathways of Daegu SSEOs’ contributions to achieving the SDGs simultaneously. The size of the circle indicates the number of functions and missions of SEs which support the SDG in question.

Figure 2. Pathways of Daegu SSEOs’ contributions to the SDGs (2008-2011)
From 2008 to 2011, Daegu's SSEOs focused on SDG8 (decent work and economic growth), and SDG2 (zero hunger), SDG3 (public health promotion), SDG4 (quality education) and SDG5 (gender equality) are directly linked to SDG8; developing education programs for people in low income brackets, creating jobs for women and producing food using local resources are examples of these linkages. SDG7 (affordable and clean energy) and SDG11 (sustainable cities and communities) do not appear to be directly linked to job creation but are linked to energy savings and renewable energy development, which contribute to building liveable cities.
In 2012 and 2013, when the private-private network began to be activated, one characteristic was different from the previous period: the linkage of SDG8 with SDG11. This phenomenon occurred because of the increase in cooperatives in the Ansim Village Community of Dong District; many were officially certified by the government as SEs and gained influence in the region.

Interviews with the intermediary organization and the representatives and employees of the SSEO revealed that replacing the mayor in Daegu City in 2014 brought about fundamental changes in the social economy of Daegu. The analysis showed the two major changes that are reflected in Figures 2 and 3: First, the goals expanded to SDG15 (life on land) and SDG17 (partnerships for the goal). The SE contributing to this started from the human rights movement and collaborations based on the residents' community movement. Second, the pursuit of SDGs that had centered on SDG8 spread to goals centered on SDG3. This recent change includes, for example, Big Hands which was established to help people with HIV/AIDS, as well as psychological counselling for residents. The partners in this goal pursuit were looking for ways to improve the well-being of specific groups or the whole community rather than creating jobs. However, despite the changes, the growth pattern of the social economy in Daegu maintained a healthy flow.

In the three figures, SDG12 (responsible consumption and production) appears isolated, with no direct connection to other SDGs; there are no SEs in Daegu that are targeting only SDG12. For example, an organization might be contributing to a local virtuous circle economy through the local food movement by pursuing various SDGs, but SDG12 looks isolated because the other SDGs connect more directly with each other.

**From Co-management to Co-production**

This study revised the model of Ansell and Gash (2008) to illustrate the formation of cooperative governance and analyse the social economy ecosystem of Daegu as an example where social economy had not been activated.

First, the beginning of cooperation starts with the experience of past civil society-government cooperation and the recognition of what resources civil society and the government have, and what their limits are. Especially in Daegu, where the government did not recognize civil society as a partner and a region where civil society was not active, creating ‘small wins’ was most important for both. The sense of accomplishment that civil society gained by working together created incentives for participation through visible achievements. When the government came to acknowledge that even in joint projects with the civil society, performance improved, government leaders began to recognize the capacity of civil society. Thus, genuine co-production is possible between collaborators. After building trust based on small achievements, community partners were able to share common interests and have mutually convincing conversations.

Earlier it was contended that face-to-face dialogues build trust and shared understanding create small wins. In particular, in a country such as Korea with a history of conflict between the government and civil society, trust is formed after small achievements. Once there is meaningful face-to-face dialogue, it is crucial to know how much synergy is achieved by connecting key actors. In addition, establishing and providing opportunities to participate in policy development and joint government projects is an important mechanism for further strengthening civil and administrative cooperation and civil society capacity. Through this
process, the case of Daegu was able to construct a governance ecosystem with the most ideal civil-co-production in South Korea today. Figure 5 illustrates a model for collaborative governance.

Figure 5. Collaborative Governance

Each stage of the collaborative governance process should focus on:

- **Provide cooperative opportunities**
  - Find projects that civil society can do well.
  - Provide business opportunities to demonstrate the capabilities of civil society.
  - Design structures in which civil society organizations and SSEOs that are sporadically active in the region can cooperate and do business.

- **Begin with small wins**
  - It is important for SSEOs to spread the word that their products and services are of good quality, or at least not bad.
  - Appeal to the public that SSEOs can be effective and effective partners
  - Give SSEOs experiences that allow them to collaborate with each other.

- **Establish cooperation and trust**
  - Develop mutual recognition of the synergy of cooperation
  - Find new collaborations before the parties forget the successful experiences of public-private and private-private partnerships.
  - Establish spheres of learning and communication for sharing mutual interests and understanding.

- **Institutionalization of cooperation**
  - Identify who are the key people connecting diverse stakeholders and get help from these people in areas that lack links.
- Consolidate public-private and private-private networks to enable sustainable rather than one-time cooperation
- Because the social economy affects not only the lives of local residents but also whole regional development such as local industries, it needs to be institutionalized to participate officially in government regional development policies.

Conclusion

In 2018, the SSEOs of Daegu established the first private-led SSEO integrated distribution channel in South Korea. At the same time, with President Moon Jae-in’s new government, Korea is concentrating on revitalizing social economy and building a sustainable ecosystem. In order to secure the sustainability of a social economy, it is necessary to revitalize social finance and Daegu already launched a social crowdfunding tournament in 2015 and held a social financial conference in 2017 jointly organized by credit unions, SSEOs, intermediary organizations and social economy networks. The Daegu Social and Economic Innovation Fund was also launched. Before the social economy ecosystem was built up, Daegu created something out of nothing; prior to the implementation of the SE development policy, the participation of civil society in implementing a community movement in Ansim village definitely contributed to the establishment of a social economy ecosystem.

However, both cases (Environmental movement and Ansim village community movement) have limited scalability beyond specific fields or areas. Daegu’s case shows that when a specific SDG is oriented in an area where the capacity of civil society is lacking and public-private partnerships are not active, the intended project will only end up in its intended form; in other words, continued spread of action is difficult, and it instead tends to stay in the center of the movement. Activating local issues and improving local community life in the region ultimately include all elements of SDGs, and as a result, in the course of social economy expansion and consolidation, more SDGs are achieved unintentionally. Especially for social activities and organizational sustainability, follow-up generations and influx of young people are important; social economy are an attractive area for young people.

Meanwhile, public-private and civil society-market cooperation are always difficult and can be superficial. It is small achievements that transform into relationships of cooperation here by demonstrating the ability of civil society. In Daegu’s case, the pursuit of specific SDGs and the resulting performance of related civil society become catalysts for sustainable governance. Therefore, this specific goal pursuit is the key to creating structures and strategies that can produce small but sure results for civil society. The structure can be created by the civil society itself or it can be created by other third-party institutions such as intermediate support organizations or international organizations. Civil society-market cooperation such as funding or donation is easy; for deeper cooperation, corporate social responsibility should start with a strategic philanthropy of the enterprise. Daegu was supposed to be the most difficult place for a social economy to develop, but it has constructed an exemplary ecosystem, although its social economy is not large considering the whole population of Daegu City. In addition, Daegu is in the process of building an ecosystem just like any other area that needs to be observed more seriously in the future.
Bibliography


