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PLCs Internationalisation policies

Title: Overarching Korean social enterprises with global social problems - KOICA Creative Technology Solution Program (CTS program) in South Korea

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1. Background: Social and Solidarity Economy sector in South Korea

Korea has a long history with the social economy movement, as cooperatives established in the 1920s served as a kind of liberation movement under Japanese colonial occupation. The social economy sector, however, was not a public policy priority in South Korea until the mid-1990s when the first self-sufficiency program for the economically challenged was adopted by the national government. This program proved effective in helping those driven into poverty by the IMF bailout in 1997, and was included in the National Basic Living Security Act enacted in 2000. Social economy activists and innovative law- and policymakers felt that social enterprises could be an effective vehicle to create jobs and support the economically challenged. Efforts to pass the Social Enterprise Promotion Act in 2007 led to it becoming law, which built more solid legal grounds for the social economy in Korea. With the achievement of social enterprise as a policy, the Framework Act on Cooperatives was enacted in 2012. A group of local governments also declared the social economy an effective and important tool for regional economic development, with the creation of SSEGOV (Association of Korean Local Governments for Social Economy and Solidarity), and implemented policy programs to create a social economy ecosystem in their cities and regions. These political leaders, as well as practitioners, felt a more comprehensive legal framework would be necessary for the rapidly growing social economy sector in Korea. This led to introduction of bills for a *Framework Act on Social Economy* and a *Framework Act on Social Value Implementation of the Public Agencies* from 2013. While these bills have not yet passed the National Assembly of Korea, mainly due to the political scrutiny of a small number of very conservative lawmakers, the social economy in South Korea has gained notable traction in the policy area.

After Moon Jae-in was elected president, promising that the social economy would be one of the main policy agendas for his administration, the Korean government began a ‘Social Economy Revitalization’ strategy as a national task in 2017. Since then, the Social Finance Revitalization Plan (2018) and Social Economy Enterprise Job Creation (2020) have contributed to the formation and expansion of the SSE (Social and Solidarity Economy) ecosystem in Korea. These policies include social finance, public procurement, and public-private consultations through the SSE. Thanks to institutionalization and legal support for the SSE, it has contributed to resolving a variety of social problems in Korea, such as high unemployment among socially marginalized groups.

The number of enterprises and employees in Korea’s social economy enterprises has also rapidly increased, with the former increasing 47.74% between 2016 and 2019, and the latter by 48.89% during the same period.¹ SSE revitalization policies have had an impact on social value creation and the formation of a sustainable society, including the hiring of socially marginalized people and sharing corporate profits for the benefit of society.

The aim of government social economy policies in 2021 is to support the self-reliance and growth of

¹ Ministry of Strategy and Finance (2020)



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social economy enterprises and promote the spread of social values throughout the economic and social structure of Korea. There are four objectives: 1) Support the growth of social economy enterprises 2) Develop capabilities of local social economies 3) Support the diversification of social economy enterprises and 4) Expand the social economy through legal and institutional infrastructure. To implement these objectives, a step-by-step promotion system has been established: 1) Taskforce created for each core policy goal; 2) Inter-ministerial taskforce created for social economy policies; and 3) Social economy expert committee created (as an advisory committee).

Social economy revitalization policy is being implemented not only for the domestic SSE but also in the nation's ODA (Official Development Assistance) programs. The SSE method is mainly used as a way of localizing ODA projects in recipient countries. In particular, it has contributed to education on social ventures, development of business models, and expansion of targets/fields for projects supporting job creation (2020). These ODA policies have three objectives: 1) Commercialize social economy business; 2) Broaden the social economy ecosystem (domestically and overseas); and 3) Develop youth/social economy enterprises and innovators. Approximately USD 8.5 million has put into transforming social businesses into ODA projects in 2020.

Along with this effort, USD 780 million have been invested in ODA projects every year by the South Korean government (mainly through KOICA, a public agency responsible for Korea's ODA under the Ministry of Foreign Affairs).

Since 2017, Korea's social and economic policies have actively leveraged SSE to achieve the UN SDGs. SSEGOV has worked closely with the national government to build a stronger ecosystem for the SSE in Korea. Since 2020, in response to COVID-19, the demand for SSE approaches focusing on community cooperation and solidarity has been increasing rapidly. The SSE, which is resilient in times of crisis, complements government and market efforts and has a significant role in overcoming problems both at the national and international level. With enactment of the *Framework Act on Social Economy* expected in 2021, the Korean social economy will have more comprehensive legal grounds for additional resources and diverse policies.

2. Summary of main characteristics of good practice approach

KOICA (Korea International Cooperation Agency) is an official Korean organization for development cooperation that practices global social values. To promote friendly cooperative relations and mutual exchange between Korea and developing countries, and to support economic and social development in the latter, it contributes to a variety of international cooperation projects. KOICA implements government policies for international development cooperation and promotes ODA that benefits developing countries by strengthening collaboration with domestic and international partners in development cooperation.



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KOICA has implemented a variety of innovative programs in development cooperation that have contributed to realization of the SDGs and global social values, with the focus on the SSE. This was the result of somewhat of a paradigm shift by KOICA, which had been used to direct, subsidiary-type support. Learning that the SSE can be a driver for more sustainable and lasting international cooperation for countries in need with capacity building of their own, KOICA has placed emphasis on supporting business projects in beneficiary countries. The SSE organizations could be good matches for this purpose to partner with, and a number of social economy incubating initiatives have started at KOICA.

There are three main programs in ODA in relation to the SSE, which complement one another over the course of the development stage of a business project in developing countries.

- 1) Creative Technology Solution (CTS) program, which combines human and material cooperation in multi-year support of partner countries to achieve economic and social development as well as welfare improvement goals. CTS is geared toward tapping into new markets with innovative technologies from social start-ups.
- 2) Inclusive Business Solution (IBS) program, which contributes to the economic, social, environmental and sustainable development of developing countries by actively linking financial resources and development strategies, which intends to create a business organization in beneficiary countries.
- 3) Innovative Partnerships Program (IPS), which leads a variety of fields and collaborates with other international organizations while creating unparalleled results in relation to the SDGs. These long-term programs have influenced the realization of decent jobs and economic growth in Korea and partner countries.

Also, in 2020, KOICA launched a pilot emergency COVID-19 response program for social economy enterprises in developing countries that serve their respective communities yet face difficulties in retaining their employees and production of goods and services due to lockdowns and the severe economic downturn. In partnership with civil society organizations that have close ties with social economy enterprises in developing countries such as GSEF, YMCA, Korea Fairtrade Organization and Merry Year Foundation, KOICA provided emergency funds (approx. USD 700,000) in 2021 for 38 selected social economy organizations from 21 countries.

The creative technology solution (CTS) program is one of these initiatives that contributes to finding solutions for challenges in the course of development cooperation in developing countries, which turn out to be difficult to solve using existing methods. Through the application of innovative ideas and smart technologies from prospective entrepreneurs and start-ups in Korea to social problems in less-developed countries, CTS aims to improve the effectiveness of development cooperation projects, as well as help such countries solve their problems. KOICA states the following regarding the goal of the program: “KOICA wants to contribute to realizing social values globally by providing people in



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developing countries with opportunities for a better life, as well as giving innovators and entrepreneurs opportunities for employment and starting a business in developing markets through implementation of their innovative ideas and technologies.”

Since its inception in 2015, the CTS initiative has also become a way for Korean social entrepreneurs to expand into developing countries, using their innovative social and economic solutions in real markets. During the incubating process of social enterprises through the CTS program, intermediaries also collaborate with KOICA to develop and execute capacity building programs, and help social enterprises network with resources and partners outside of KOICA. The CTS program is solely funded by KOICA from the government budget. Social enterprises participating in CTS also have access to investment opportunities from impact investment organizations if their internalization projects prove to have sufficient potential.

One interesting characteristic of the CTS program is that it focuses on ‘products’ or ‘services’ as a solution to social problems abroad, rather than building ‘business organizations’ in beneficiary countries. Unlike its sister program, IBS, which puts emphasis on developing a business organization in developing countries, the CTS program supports relatively early-stage product or service development of social entrepreneurs to solve local problems. Health care, education, water supply, and energy are among the sectors that the CTS program has supported. A number of emerging issues in beneficiary countries are dealt with by the CTS participating organizations. Anyone who wants to do business toward solving local issues in developing countries can apply for the program as long as they have been in operation for less than 10 years – i.e. the participating organization does not need to be a social enterprise or a cooperative or other social economy organization, while the business solution they propose should be inherently social. For-profit organizations, with the social goals clearly stated in their mission, can also apply for the program. Even an individual at the pre-start-up stage, with a promising solution to social problems in a beneficiary country, is eligible to apply for support through the CTS program.² Applications and proposals are accepted through open call once a year.

As a multi-year policy initiative, the CTS program is structured into stages. This structure is grounded on the development status of ‘solutions’ to social problems in developing countries, and has gone through minor modification in 2019 after 4 years of practice.³ Each of these development tracks has different durations and focus. The first track, CTS SEED 0, was introduced in 2019 towards untangling an ‘information deficiency’ among Korean social enterprises on market status and needs in

² Any successful individual applicant without organizational affiliation needs to establish a company before signing a contract with KOICA for support.

³ Initially the CTS had three stages – SEED 1, SEED 2, and SEED 3. This changed in 2019 after review, adding SEED 0 and merging SEED 3 stage into the IBS program. Therefore, CTS now has SEED 0, SEED 1, SEED 2, with the following IBS program enhancing project success.



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developing countries. It provides participating entrepreneurs with education and training on development cooperation, and supports entrepreneurs with ideas or an early-stage startup visit to the potential beneficiary country to do some preliminary market research. The next track, CTS SEED 1, is designed to support development of technology solutions by social entrepreneurs. The final stage of CTS, SEED 2, is intended for engaging in pilot projects and getting ready to build and run a business organization, followed by the IBS program. The details on each track are as follows:

CTS SEED 0: Enhancing the capabilities of prospective entrepreneurs and early-stage startups in Korea

- Designated recipients: entrepreneurs/pre-entrepreneurs seeking to advance into developing countries
- Validate ideas and solutions through local networks and pilot projects
- KOICA provides selected entrepreneurs with capacity building programs, and subsidize travel and research expenses for the targeted foreign markets.
- Receiving support through SEED 0 stage does not guarantee the recipient will move on to SEED 1 stage.

CTS Seed 1: Developing technology solutions

- Designated recipients: entrepreneurs/pre-entrepreneurs successfully completing CTS SEED 0 or social enterprises with solid, specific business plans for developing countries
- Create proof of concept and implement small-scale demonstration project in developing countries
- Prototype production, commercialization, experimentation
- Project duration: 6 months to 2 years, depending on types of technology to be developed.
- Grant size: up to approx. USD 250,000 per project

CTS Seed 2: Engaging in a pilot project and preparing for business

- Designated recipients: social enterprises sufficiently completing CTS SEED 1 and proven to have a sufficient number of solution beneficiaries (end-users) in developing countries.
- Developing country-friendly modifications of innovative products whose performance has been verified in a real environment and disseminating them to developing countries
- Project duration: 12 to 30 months, depending on the nature of the project.
- Grant size: up to approx. USD 420,000 per project

Once a social enterprise finishes CTS Seed 2, it is considered ready to foray into the targeted ‘Bottom-Of-Pyramid’ (BOP) market. KOICA works with KOICA closely works with their regional offices in beneficiary countries (if they exist) and other public agencies including to help a recipient enterprise enter into this market and solve a social problem.



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All CTS partners (social enterprises who advance into the targeted market) need to prove their impact (social value) through B Corp Certification. B Corp certification, a global social enterprise certification system, must be attained by all participating partners until the end of support, and a B Corp self-diagnosis report is to be submitted to KOICA by each partner every year.

The CTS program has a modified list of goals every year and presents it in an open call for proposals. The recent CTS objectives for 2021 applicants are:

1. Strengthen access to basic health services during the pandemic, including diagnosing and preventing infectious diseases;
2. Develop human resources for a better future, involving online education and vocational training for youth;
3. Develop rural areas in an inclusive and sustainable way. This includes increasing the income of small farmers and improving the environment and production capacity;
4. Engage in digital partnerships for inclusive development, which involves providing a variety of virtual services;
5. Develop “green” ODA for future generations. This includes working to reduce carbon emissions and provide clean water and responding to climate change.

3. Evidence/Justification for Good Practice

CTS has supported 78 projects around the world. Most projects were implemented in Asia, given the geographical location of South Korea. In terms of industrial sector, healthcare was the most common.



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[Table 1] CTS projects – Selected characteristics

Rank	Region		Industry		Relevant to the 4th Industrial Revolution	
	Region	Percentage	Industry	Percentage	Relevant Technology	Percentage
1	Asia	67.2%	Healthcare	38.5%	AI	34.6%
2	Africa	26.9%	Education	19.2%	Customized healthcare	12.8%
3	Middle East	3.8%	Water supply	12.8%	Renewable energy	7.6%
4	Latin America	1.2%	Rural development	11.5%	Big data	6.4%
5			Energy	9%	Smart city	5.1%

CTS has helped social enterprises to grow by a series of support activities ranging from grants to consulting and networking with foreign market experts. One example is an international crowd farming project between South Korea and Asian countries. A Korean social enterprise named Treeplanet planned to boost incomes for coffee farmers in Nepal and Indonesia. Joining the CTS program, this company started a ‘crowd-farming’ campaign to encourage Korean consumers of coffee to have ‘companion’ coffee trees in one of two countries. Once a consumer paid for a bag of coffee beans from a fairtrade coffee farm in any of the two countries, a new coffee tree would be planted as a companion coffee tree in the designated coffee farm under the name of this customer. This practice helped farmers in Indonesia and Nepal plant more fairtrade coffee trees. A total of 17.5 tons of coffee beans were sold throughout the course of Treeplanet’s participation in the CTS program.

Over six years of the program implementation, from 2015 to 2020, a total of 76 projects has been approved to get support from the CTS program. Along the course of the program, KOICA set milestones with the participating organizations and assess their performance. Sixty-three among selected projects were evaluated to create impact through the innovative solution at the end of each stage. Some of the indicators of made impact by the CTS program are as follows:



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- Number of end-users of the proposed innovative solutions: 834,393
- Number of beneficiaries in the targeted BOP markets: 2,942,669
- Number of various certifications such as patent, trademark registration: 226
- Amount of investment made to CTS partners from other investors: USD 264 million
- Jobs created for CTS participating organizations throughout the program (in Korea): 937

The program's success has attracted more start-ups and social economy organizations into the program, and visibility of the program among social ventures who want to do international business has undoubtedly increased

4. Context and history of how it developed

Korean ODA policies adopted SSE approaches proactively in conjunction with the paradigm shift in international development from emphasizing globalization to sustainability during the 2010s. Since then, Korea has been attempting to support socially disadvantaged groups by leveraging socially oriented business models. BOP (Bottom of Pyramid) accounts for 4 billion people, which is 70% of the entire world population, and is an estimated USD 5 trillion in market size. Many business sectors have noticed its increasing labor power, production capacity and purchasing power. In this context, CTS was developed to solve various social and economic problems in developing countries through impact business while recognizing its continuity and sustainability. The Korean SSE sector has also grown and increased in international collaboration, and the Korean government has identified the window of opportunity to connect social enterprises with social problems in developing countries.

5. Outcomes (for different stakeholders)

KOICA has provided 63 CTS partners (participating organizations) with approximately USD 32 million over 5 years (2015-2020). Over the same 5-year period, KOICA has supported 76 projects—10 in 2015, 6 in 2016, 15 in 2017, 23 in 2018, 10 in 2019 and 12 in 2020. These partners started businesses in 19 countries, focusing on environmental technology, energy, water resources, and other areas. Countries where companies have participated in the CTS program include Vietnam, Cambodia, Myanmar, Mongolia, Jordan, Uganda, Kenya and El Salvador, among others. (Table 2).



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[Table 2] Where CTS partners have worked

Continent	Country
ASIA	Vietnam, Cambodia, Myanmar, Indonesia, The Philippines, India, Mongolia, Nepal, Bangladesh
MIDDLE EAST	Jordan
AFRICA	Morocco, Ethiopia, Cameroon, Uganda, Kenya, Tanzania, Malawi
AMERICA	El Salvador, Colombia

CTS has provided direct/indirect benefit to 2.9 million people in the BOP (Bottom of Pyramid) market through this step-by-step program, while participating companies have seen an average of 186% growth. In addition, 15 new innovative technologies and 91 patents have been registered through CTS. This is mutually beneficial to both Korean innovators (companies/individuals) and developing countries.

Through the emergency response program, recipient organizations recovered their employment by an average of 106.3% and production by 71.5% of their pre-COVID levels. Also, more than 300,000 people have specifically benefited directly or indirectly through the funding. Importantly, the Korea Social Value and Solidarity Foundation, the first social finance wholesaler to be set up in Korea, played a critical part with KOICA in designing the project and models for evaluating impact.

6. Strengths and Weaknesses

Strengths	Weaknesses
CTS leverages innovative technology to foster both domestic social start-ups and local people in developing countries. It provides a strong platform for social start-ups to expand their business globally while supporting them in creating positive impact abroad.	Scaling up the business and impact of social start-ups (both domestically and abroad) in developing countries—between initial connection and after termination of their CTS program involvement—may require further support beyond the scope of the CTS program at times, in terms of funding and project timelines. Also, due in part to different country environments (political, legal and cultural), evaluation of its overall impact in a consistent and coherent manner can be challenging.



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7. Comparisons with other experiences (alternatives or complementary - in same territory or elsewhere)

None that we are aware of

8. Overall assessment

Summarise, in your views, its utility, and its value as a learning case study for other regions/states/countries. (Max 0.5 page)

Through cooperation in global development, CTS provides innovative solutions for problems through its diverse and systematic support for innovators—their ideas and technologies. Certainly CTS has blazed a new path for Korean ODA by incorporating the SSE elements into the model and has contributed to creating social impact in developing countries. CTS also showed that a product/service-based approach can be useful for social enterprises when they seek to tap into a new (unfamiliar) market.

In the meantime, CTS has shown to be of somewhat limited utility to ‘traditional’ social economy enterprises who have been doing international business, such as fairtrade cooperatives, mainly due to its emphasis on ‘technology-based’ solutions.