



INTERNATIONAL LABOUR ORGANIZATION

DRAFT

**PROJECT CONCEPT NOTE for TECHNICAL COOPERATION PROJECTS**

**Introduction**

The Project Concept Note (PCN) is an initial document that is prepared during the identification and design phases of developing a project.

The Project Concept Note:

- Includes the rationale of the project and justification for action to be undertaken. It should explain the socio-economic situation and the context leading to the demand for an ILO intervention.
- Indicates the ILO outcomes that the project addresses and the DWCP to which the project contributes.
- Provides the elements of the project and a strategy for addressing the project's core problem. This includes the basic logical framework in narrative form, including an identification of the overall expected project impact, project immediate objectives and indicative project outputs.
- Analyses the ILO's comparative advantage in addressing the issue. This includes an analysis of what other agencies are contributing in the field. This should also include an initial analysis of project partners and synergies with other ongoing activities in the same technical field and/or country.

**The PCN should provide enough information to enable the ILO and other stakeholders to be able to assess the strategic appropriateness of any proposal.**

Note: Concept notes should be no more than 4-5 pages.

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## Cover Page

**Title:** Harnessing the Development Potential of the Social Economy for the Improved Return and Reintegration (or Integration) of Migrant Workers from Kyrgyzstan, Uzbekistan and Mongolia under the Korean EPS

**Country:** Kyrgyzstan, Uzbekistan, Mongolia, Republic of Korea

**Administrative unit:** MIGRANT, ILO Geneva

**Responsible ILO Official:**

**Collaborating ILO Units/Offices:** EMP-COOP, ILO Beijing, ILO Moscow, ILO Regional Office for Asia-Pacific

**External Implementing Partners (if any):** TBD

**Budget:** TBD

## **1. Rationale and Justification**

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The project outlined in this concept note proposes a Public-Private Partnership engaging relevant Government agencies from the Republic of Korea (henceforth “Korea”), Mongolia, Kyrgyzstan and Uzbekistan; the ILO social partners; and private sector actors, including entities representing social enterprises and cooperatives, to leverage Korea’s labour migration and social enterprise policies to contribute toward economic and social development in EPS source countries as well as toward the human resources development of migrant workers in Korea. As an ILO-led and designed PPP, the proposed project will adhere to the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (MNE Declaration) and the 2007 International Labour Conference (ILC) Conclusions Concerning the Promotion of Sustainable Enterprises. In recognition of the year 2012 as the International Year of Cooperatives, this project proposes the extensive use and application of the cooperative and social enterprise model in order to generate employment and decent work for migrant workers from Kyrgyzstan, Uzbekistan and Mongolia by capitalizing on already-existing institutions, channels and networks within Korea’s temporary labour migration scheme. In doing so, this project will not only cultivate shared growth and sustainable development for migrant workers and their countries of origin but will also advance Korea’s labour migration policy to the next level, so that it is harmoniously integrated with other labour and employment-related policy goals as well as with Korea’s overseas development aid (ODA) strategy. The project focuses on Kyrgyzstan, Uzbekistan and Mongolia as pilot countries due to the established relationship these countries share with Korea in the area of labour migration as well as in consideration of ILO’s experience and presence in the region as regards both labour migration and social economy development.

### **BACKGROUND: KOREA’S EMPLOYMENT PERMIT SYSTEM (EPS)**

Migrant workers have been an integral part of the Korean economy since the late 1980s, buttressing small and medium-sized enterprises (SME) in various sectors and ensuring their vitality. In 2004, the Korean Government began to systematize all labour migration to Korea in order to better ensure migrants’ labour rights while meeting domestic workforce needs by instituting the Employment Permit System (EPS). The EPS is built on bilateral agreements between the Government of Korea and the Governments of 15 Asian origin countries<sup>1</sup>—in which Kyrgyzstan, Uzbekistan and Mongolia are included. Under the EPS, all recruitment, selection and placement of migrant workers is carried out by Government ministries or entities with a mandate on labour migration (usually, the ministries of labour of each sending country and the Ministry of Employment and Labour of Korea (MOEL)), at the complete exclusion of private recruitment agencies. In order to qualify, all candidates seeking overseas employment in Korea must pass a Korean language exam and meet certain age and educational requirements. Once in Korea, the migrant workers are granted the status of worker and enjoy the same level of protection as domestic workers under Korean national labour laws. The EPS is a temporary migration scheme: therefore, the migrant workers under the programme are permitted to work in Korea for up to 4 years and 10 months at a time, after which they are required to return to their home countries.

Recently, the Korean Government introduced a new sub-programme called the “Happy Return Program” into the EPS to assist migrant workers in successfully reintegrating into the labour markets of their home countries upon return. A migrant worker who opts to participate in the Happy Return Program before departure from Korea will be provided vocational training helpful for establishing his or her own business, or the Korean Government facilitates his or her employment in his or her home country with a Korean company with an overseas branch there. Via the Happy Return Program, the Korean Government retains a vast and diverse network of Korean private sector firms and partners, many of whom also have active Corporate Social Responsibility (CSR) projects in EPS origin countries. Moreover, since the countries that send workers to Korea under the EPS are also rapidly-growing or emerging markets, Korean private companies also have rational business interests in expanding operations in those countries, for which they need adequately-trained human resources, as employees but also as business partners, who are also knowledgeable about the Korean business culture. At present, the Happy Return Program operates on an individual basis, providing business start-up vocational training or job placement services to migrant workers individually. Mechanisms to facilitate the entrepreneurial aspirations of a group of migrant workers or to connect migrant workers to larger cooperative or social enterprise movements in cooperation with tripartite and private sector partners have yet to be explored or implemented.

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<sup>1</sup> The full list of source countries under the EPS: Bangladesh, China, Indonesia, Philippines, East Timor, Viet Nam, Thailand, Myanmar, Pakistan, Mongolia, Uzbekistan, Kyrgyzstan, Sri Lanka, Nepal, Cambodia.

## **BACKGROUND: COOPERATIVES AND SOCIAL ENTERPRISES IN KOREA AND THEIR SIGNIFICANCE**

The history of Korea's rapid socio-economic development in the space of a single generation, after being classified as a least developed country (LDC) at the outset, serves as an impressive testament to the power of cooperatives and social enterprises to empower impoverished communities, create jobs with decent working conditions, address social protection deficits, efficiently provide necessary goods and services, and initiate or reinforce the kind of shared, sustainable and even growth promoted by the G20 Seoul Development Consensus for Shared Growth (2010). Throughout the 1970s, the Saemaul Undong ("New Village Movement"), which was largely driven by citizens forming cooperatives, successfully addressed the income disparity and social inequalities that existed between rural residents and their urban counterparts. The movement transcended its rural parameters, spreading to the urban areas, and became a truly nation-wide movement that engendered an enterprising spirit which could only be beneficial for economic development. Cooperatives and cooperative associations remain strong in Korea as a result. According to the International Cooperative Alliance (ICA), 43.5 per cent of the Korean population were members of cooperatives. Korean cooperatives are active in agriculture, fisheries, savings and credit, forestry and insurance. Many are eager to share their experiences with LDCs and offer technical support in the field. Adapting the Korean cooperative model to fit local contexts and implementing them in developing countries as well as providing nationals from developing countries vocational training in cooperative management and industry-specific skills form a significant portion of Korea's ODA operations, and major Korean cooperative associations already participate in them. In 2010, the MOEL announced a national plan to aggressively support and promote social enterprises, going so far as to establish the Social Enterprise Promotion Agency. The convergence of these developments represents a unique opportunity for the Government of Korea to explore integrating the support and promotion of social enterprises and cooperatives into the EPS.

The enthusiasm for the social economy is not only limited to the public sector in Korea. Korean private companies of all sizes and sectors are also showing a keen interest in social enterprises and cooperatives. An increasing number of Korean firms are providing start-up funding to social enterprises, setting up social enterprises or investing in them<sup>2</sup>. Association with socially-minded cooperatives and social enterprises transforms companies into global role models and lauded benchmarks, thereby heightening the companies' brand value and potentially reinforcing consumer admiration and loyalty. Many of these same companies are participating in the Happy Return Program as employers of returning migrant workers, and thereby have the necessary presence and resources on the ground to contribute to this project.

In addition, the Republic of Korea promulgated a new Cooperatives Law in December 2011, which would make it easier for all in Korea, including foreign nationals, to form and register cooperatives or social enterprises. The new Law, which is set to come into effect in December 2012, allows a group of 3 or more people to easily establish a cooperative in Korea and have it formally recognized and supported; there is no legal barrier for foreign nationals to enjoying the provisions of the new Law. This opens up a very interesting possibility of facilitating the transition of migrant workers in Korea to become business operators, employers, and members of the Korean social economy movement (potentially applying skills learned under the EPS). Although this would require investment in technical capacity-building and new programming in addition to flexibilisation of certain policies, the returns for Korea could be improved labour market and social integration of foreigners and former migrant workers, a revitalization and diversification of the domestic SME sector, an increase in the domestic employment rate (especially if foreign cooperators are given incentives to hire or extend membership to Korean nationals), and enhanced effectiveness of Korea's multiculturalism and labour migration policies.

## **BACKGROUND: COOPERATIVES IN CENTRAL ASIA AND MONGOLIA**

The government of Kyrgyzstan has implemented the land and legal reforms necessary for the successful operation and development of cooperatives in Kyrgyzstan. As a result, almost all the preconditions for favourable growth in the cooperatives sector exist in Kyrgyzstan, and the movement is considered relatively well-structured and more advanced than in other Central Asian countries. An ILO-commissioned study into the state of the cooperative sector and migrant workers in Kyrgyzstan<sup>3</sup> revealed that there are registered cooperatives in almost

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<sup>2</sup> Major South Korean telecommunications provider SK Group has set up or invested in 23 social enterprises, Hyundai Motor Group and Posco in 3, and Kyobo Group founded a social enterprise to assist migrant spouses and their families in Korea.

<sup>3</sup> The study, "Cooperatives and migrant workers in Kyrgyzstan", a) identified and analysed the economic and social impact of existing cooperatives involved in helping migrant workers in Kyrgyzstan, particularly that of credit unions, b) analysed both the positive experiences of cooperatives and the challenges faced, including areas for improvement and development,

every sector in the rural economy. Agricultural cooperatives are associated in the Union of Cooperative Societies of Kyrgyzstan and consumer cooperatives are associated in the Kyrgyzkoopsoyuz, which is engaged in providing different services to the rural population. The credit unions, a dynamic force in the cooperatives movement in Kyrgyzstan with a reputation for efficiency, are united in the National Union of Credit Unions and Cooperative Societies of Kyrgyzstan. Among the diversity of cooperative enterprises, agricultural cooperatives are the most common and most numerous form of cooperative in the country. Rural communities organize agricultural cooperatives as an adaptation strategy in the face of food and economic insecurity. However, due to a lack of financial or institutional support, which is partly attributable to a lack of resources at the level of the Kyrgyz Government, and lack of technical know-how, equipment and access to capital, the members of many of the agricultural cooperatives in Kyrgyzstan are compelled to migrate (usually to Russia and Kazakhstan) and support their communities through their remittances. This appears to be typical of the cooperative sector in the Central Asia region as a whole.

The cooperative movement in Mongolia, which traces its roots back to the 1920s, is believed to be even stronger than that in Kyrgyzstan. The movement survived the turbulence of the socialist era, when cooperatives were appropriated by the state and turned into state enterprises, and has re-emerged as a powerful agent of rural development and employment. Today, the Mongolian state actively offers support to cooperatives. At the end of 2010, there were about 2,400 cooperatives with 210,000 members; a little over a quarter of them were agricultural cooperatives, followed by consumer and wholesale cooperatives, manufacturing, financial services, and finally social services. Trade unions and employers' associations in Mongolia readily recognize the importance of cooperatives in generating employment. Given Mongolia's long history with cooperatives, the organizational and mobilization mechanisms of cooperatives are relatively strong. However, similar to its counterpart in Central Asia, the cooperative sector in Mongolia suffers from a lack of access to capital, managerial competence, and skilled human resources.

#### **SYNERGIES: LABOUR MIGRATION AND THE SOCIAL ECONOMY**

Both labour migration and the social economy have been recognized by the international community to make positive contributions toward pulling vulnerable households and communities out of poverty, accelerating national economic development, creating employment whilst invigorating local economies in a sustainable and equitable way, extending social protection, and advancing social development. The recent economic crises and the resilience of cooperatives in their wake have only worked to reaffirm the value of cooperatives as iterated in ILO Recommendation 193 (Promotion of Cooperatives, 2002). Cooperatives operate in all sectors and in all countries and are therefore able to meet a variety of needs even in the most resource-challenged environments. Social enterprises and cooperatives are especially well-placed to promote and apply the ILO Decent Work Agenda. As democratically managed organisations, cooperatives and their principles are perfectly compatible with the promotion of rights at work. They create decent employment opportunities for women and men and are additionally gaining attention for their effectiveness in providing employment to young people and addressing youth unemployment problems<sup>4</sup>; likewise, employment in cooperatives help many workers to transition from the informal to the formal economy. Cooperatives and social enterprises assure the social protection of its members in the largest sense of the term—in particular cooperatives of the healthcare, insurances and savings and credit sectors. All of these characteristics make cooperatives a traditional partner of employers' and workers' organizations as they offer their members a platform, from the local to the international levels, on which to defend their interests and consolidate collective bargaining or negotiating powers sometimes not available in their immediate contexts. Consequently, ILO Recommendation 193 (2002) calls on Governments and workers' and employers' organisations to promote cooperatives and facilitate access to their services.

As the 2009 UN Human Development Report<sup>5</sup> noted, labour migration produces tangible development gains, predominantly through migrants' remittances back to their home countries and the transfer and accumulation of skills and human capital. Migrant workers are increasingly turning to cooperatives and social enterprises to

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in order to formulate recommendations on how cooperatives and the cooperative model of enterprise can contribute to improving the livelihoods of migrant workers, 4) analysed the initiatives in relation with migrant workers that already exist in Kyrgyzstan and existing trends and perspectives, d) analysed information concerning Kyrgyz workers in the social/health sector in Italy in view of potential linkages with cooperatives both at the host and home country.

<sup>4</sup> See ILO (2012), "The youth employment crisis: Time for action", Report V for the 101<sup>st</sup> Session of the International Labour Conference, ILO:Geneva, pp. 71-72

<sup>5</sup> <http://hdr.undp.org/en/reports/global/hdr2009/chapters/>. See also ILO (2010), International labour migration: A rights-based approach. ILO:Geneva.

maximize on these development benefits of labour migration, a development which is of fundamental interest to the ILO. The ILO has the mandate to protect migrant workers and enhance regulation of labour migration and recognizes the important role of cooperatives in extending the Decent Work Agenda to migrant workers. In Indonesia, a group of returning migrant workers established a savings and credit cooperative specifically for providing affordable financial products and services to fellow former migrant workers and their families; it currently holds USD 13,000 in assets. Together with the ILO, through the ILO's Cross-Border Labour Migration Project, the cooperative expanded its services by providing management and start-your-business training, which have stimulated many returning migrant workers to found their own businesses. Migrant domestic workers in New York, USA, have formed cooperatives offering cleaning services using self-made, environmentally-friendly cleaning materials<sup>6</sup>. Savings and credit cooperatives create an alternative way for migrants to remit money home in a way that decreases transaction costs and improves access to financial services for their families; remittances sent through savings and credit cooperatives can also be channeled easily into funds for community-wide development projects, such as the building of schools and hospitals or the provision of school fees. In Italy, migrant workers are members of a tourism cooperative as tour guides; the Viaggi Solidali<sup>7</sup> sells socially responsible tourism packages in Italy and abroad with the aim of sustaining development cooperation projects in developing countries. Therefore, the convergence of labour migration and the social economy is already producing impressive economic and human development gains that can only grow bigger through the effective partnership and resource mobilisation between Governments, the social partners, the private sector and representatives of the social economy.

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## 2. Strategic fit

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This project will support the 2008 ILO Global Jobs Pact and rises to the call of the ILO Declaration on Social Justice for a Fair Globalization (2008) in focusing on cultivating “productive, profitable and sustainable enterprises together with a strong social economy” (preamble) through “developing new partnerships with non-state entities and economic actors, such as multinational enterprises and trade unions...in order to enhance the effectiveness of ILO operational programmes and activities, enlist their support in any appropriate way, and otherwise promote the ILO strategic objectives” (IIA(v)). It supports the implementation of Outcome 7 of the ILO Programme and Budget 2012-2013—More migrant are protected and more migrant workers have access to productive employment and decent work—. This project also supports the latest implementation strategy of the Decent Work Country Programme (DWCP) for Mongolia<sup>8</sup>, which promotes “where possible the development of externally funded technical cooperation projects” (6) to address this DWCP's priorities of unemployment, in particular youth unemployment, poverty alleviation in both the formal and informal economy, and “improving the working environment and extending protection of workers' rights” (7). The Mongolia DWCP also recognizes the equipping of “social partners to contribute to CSR action in Mongolia” as an area of cooperation for the priority of “Strengthening tripartism to support social and economic policy development, implementation and institutional reform” (12). Likewise, the DWCP for Kyrgyzstan highlights youth unemployment, rural poverty brought on by lack of technical know-how in agriculture, and decent work deficits in the informal economy as major concerns that need ILO intervention (2-3). It further brings attention to migrant workers as a vulnerable group lacking basic social services (4).

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## 3. Project strategy

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The purpose of this project is to pilot a local economic development initiative in the three selected countries of Kyrgyzstan, Uzbekistan, and Mongolia, aiming at promoting decent work opportunities for returning migrant workers and local populations. This project may also be used to explore the possibility of using the social economy as a tool of employment transition and social integration of migrant workers at destination, in Korea. By working with and within the institutions of the Korean temporary labour migration programme—the EPS—and leveraging the existing connections and networks with the Korean private sector within the Happy Return Program of the EPS while also bringing in the impacted Governments, trade unions, employers' associations

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<sup>6</sup> [http://www.nytimes.com/2011/10/13/nyregion/cleaning-together-to-escape-day-labor.html?\\_r=1&emc=tnt&tntemail=y](http://www.nytimes.com/2011/10/13/nyregion/cleaning-together-to-escape-day-labor.html?_r=1&emc=tnt&tntemail=y)

<sup>7</sup> <http://www.viaggisolidali.it/>

<sup>8</sup> <http://www.ilo.org/public/english/bureau/program/dwcp/download/mongolia.pdf>

and representatives of the social economy, the project will support the development of social economy enterprises for the benefit of local development and for the successful labour market reintegration of returning EPS workers. As mentioned in the first section of this concept note, there is ample room and opportunity in the context of the Happy Return Program to conduct trainings for migrant workers who wish to establish a cooperative or a social enterprise, as opposed to an individual business, upon return.

In the inception phase of the project, a diagnostic of the social economy and its relationship to labour migration in each of the three pilot countries will be carried out with local stakeholders in order to assess the needs related to technical support and training. The findings will give further guidance to the specific activities that will be undertaken in the framework of this project. A full diagnostic for Kyrgyzstan has already been carried out by the ILO Regional Office in Moscow.

The strategic approach of this project will consist of the following elements:

- (1) Building the knowledge base on the correlations between labour migration and the social economy** by conducting and commissioning studies on migrant cooperatives or social enterprises in the three pilot countries, as well as other EPS source countries (as resources allow). The results as well as any good practices or lessons learned identified from these studies will be shared with the project partners and ILO constituents.
- (2) Using labour migration—specifically the EPS of the Republic of Korea—as a tool to strengthen skills, promote entrepreneurship and increase employability** with a view to fostering economic development in origin countries by proper use of migrants' human capital. The existing training institutions and arrangements overseen by the Korean Ministry of Employment and Labour for the EPS' Happy Return Program will be tailored to cultivate skills necessary for successfully managing cooperatives and social enterprises, with the involvement of appropriate and interested partners. Potential training modules could be on the governance system of social enterprises or cooperatives, management governance and business skills, financial education, productive investment and use of remittances or savings, modern techniques of production, social protection through social economy initiatives, etc.
- (3) Facilitating the social and professional reintegration of returning migrants in the domestic labour market.** After receiving the necessary training and related education through the Happy Return Program, former EPS workers returning to their home countries will be encouraged to integrate in existing social enterprises or cooperatives and/or create new ones in cooperation with local communities. On-the-ground technical assistance and useful materials will be provided to them through the project.
- (4) Coordinating and highlighting the CSR actions of private sector partners to ensure the success of the project and heighten the international profile of participating private companies.** Partner Korean firms will contribute financial or material resources toward the successful establishment and maintenance of the social enterprises and cooperatives in the pilot countries, while the ILO disseminates the activities of the private sector partners to the wider international community as good practices.
- (5) Enhancing the development benefits of labour migration whilst protecting migrant workers' rights.** The project will seek to strengthen the rights-based aspects of the EPS and to harmonise the Republic of Korea's labour migration and social enterprise policies with its ODA policies, with the full involvement of the social partners, in particular those affiliated with migrant workers in Korea.
- (6) Promoting employment and decent work opportunities at community level in countries of origin by supporting the creation of social economy enterprises,** particularly in the agriculture and farming sectors.
- (7) Supporting, through social economy enterprises and organisations, the development of a range of services,** such as access to micro insurance products (health care, credit life, livestock and crops), micro-credit, functional education, financial education, etc.

- (8) Supporting the participation of existing or new cooperatives in a regional network of cooperatives** in order to share experiences and practices.

## **OVERALL EXPECTED PROJECT IMPACT**

Economic and social development in Kyrgyzstan, Uzbekistan and Mongolia at the local level enhanced through the formation and support of cooperatives and social enterprises.

Increased knowledge and appreciation amongst ILO constituents and private sector partners of the social economy and their effectiveness in the context of labour migration.

The role of CSR actions and PPPs enhanced and harnessed to contribute positively to ILO objectives.

## **DESCRIPTION OF TARGET GROUPS AND FINAL BENEFICIARIES**

Returning migrant workers from Kyrgyzstan, Uzbekistan and Mongolia who had participated in the EPS and also participating in the Happy Return Program are the target group and also partly the final beneficiaries. Local populations, tripartite constituents and local public administrations will also be the direct recipients of this project.

## **PROJECT OUTCOMES/IMMEDIATE OBJECTIVES**

- (1) **A research series on the state of the cooperative sector in the region and its interaction with labour migration** accompanied by the organisation of the necessary platforms to disseminate important findings and identified good practices and lessons learned.
- (2) **Formulation and introduction of training modules/programmes on establishing and effectively managing a cooperative or a social enterprise into the Happy Return Program of the EPS** with the involvement of cooperative associations and representatives of the social entrepreneur movement in its implementation.
- (3) **A local development strategy derived from the business plans of returning migrants who had completed the social economy training module of the Happy Return Program designed and implemented by all relevant stakeholders**, including the social partners, private sector partners, concerned local and national Government bodies, and social economy organisations.
- (4) **Decent work opportunities promoted through the creation of social economy enterprises** with a view to addressing the unemployment of vulnerable women and men and the youth.
- (5) **A range of services provided** through social economy enterprises according to local needs, such as micro-credit, health care, livestock and crops, etc.

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## **4. Comparative advantage and partnerships**

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The ILO is the only United Nations agency with a constitutional mandate to protect migrant workers. It has been dealing with labour migration issues since its inception in 1919 and has pioneered international Conventions to guide migration policy and protection of migrant workers as well as social security governance. ILO possesses expertise on employment, social security and labour migration. ILO adopts a rights-based approach to labour migration and promotes tripartite participation in migration policy.

In addition to its cross-cutting expertise and right-based approach, the ILO is the only United Nations agency forging its action on a tripartite dialogue, involving governments, workers' and employers' organisations. As a result, the organisation enjoys the trust of a myriad of project implementing partners and, increasingly, of socially responsible multinational companies throughout the world. The ILO operates on the position that the involvement of workers and employers; the public sector and the private sector; civil society; and migrant themselves is especially important to the development of sound and fair labour migration programmes and their effective implementation.

Within the UN system, the ILO has extensive experience and capacity in providing support to cooperatives. The cooperative branch of the ILO, or EMP/COOP as it is called now, was established in 1919. Article 12, para.3 of the ILO Constitution reflects the importance of cooperatives for the ILO. EMP/COOP works with governments, employers', workers' and cooperative organizations on the implementation of Recommendation 193 on the promotion of cooperatives. The ILO provides policy and legislation advice, develops research based material and supports cooperative-specific education and training. The ILO works in close partnership with the International Cooperative Alliance (ICA), the representative world body of cooperatives. Besides creating synergies, this collaboration allows the ILO to gather information and to reach out to the real world of income generation of hundreds of millions co-operators around the world.

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### **5. Timing**

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2 years project, with possibility of extension

Starting date: 2012

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### **6. Other information**

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