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SOC to promote the living standards as a new option for private investment projects

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1> Change of SOC in Korea and emergence of SOC for living

- Large SOC projects had played a pivotal role during the 1950s by leading the development of key industries in the economic growth period and they were mostly concentrated on building roads, railways, and ports to develop industrial centers
- Under the extensive discourse to build an inclusive society in Korea, the government is implementing SOC projects focusing on the daily lives of citizens such as revitalization of local economics, job creation in local areas, and improvement of the quality of life
- The budget allocated to existing SOC projects in massive scale to build national infrastructure decreases each year. In the meantime, the investment on SOC projects for living to be spent on the construction of cultural center, public medical center and safety facilities is expected to increase by KRW 48.3 trillion in total by 2022 according to the '3-year plan for SOC project to enhance the quality of living'

2> Potential to attract private investment on SOC for living and the limitation

- Implementation of SOC projects for living utilizing private fund can be a viable option to local governments considering their financial status. It also provides a benefit of less financial risks caused by the failure to estimate the demand
- Recently, there are many cases that projects based on private investment are solely funded by the private capital. As the rate of return for SOC projects to promote the living is relatively low compared to that of existing SOC projects, support by the government is required to guarantee the profit of private investors

3> Directions for private investment on SOC for living and the implications

- The goal of SOC projects for living is to improve the quality of living of ordinary citizens. Hence, there is a need to reinforce flexibility in investment by utilizing the creativity and efficiency of private sector upon project implementation

- As the project goals and objectives are focused on the public, the success or failure of a project depends on the engagement of various players such as a consortium of small-sized construction companies, social enterprises, companies operating in the community, etc.

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Policy proposals

- ① Develop new types of private investment projects based on the participation of private sector including local social enterprises and community business to meet the purpose of providing living infrastructure with SOC
- ② Explore ways to adopt Build Transfer Operate-adjusted (BTO-a) and Build Transfer Operate + Build Transfer Lease (BTO+BTL) options to complement low profitability of SOC projects to actively build social infrastructure and provide a system to secure expertise of official working at local governments
- ③ Actively attract the participation of local constructors in SOC projects through a preferential treatment to local companies and separate order and develop a support system for their technology development and construction capability from the long-term perspective