

Presenter 1

Social Infrastructure PPPs in a Changing Socio-Economic Paradigm: Evolution and Policy Challenges

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2026. 9. 14



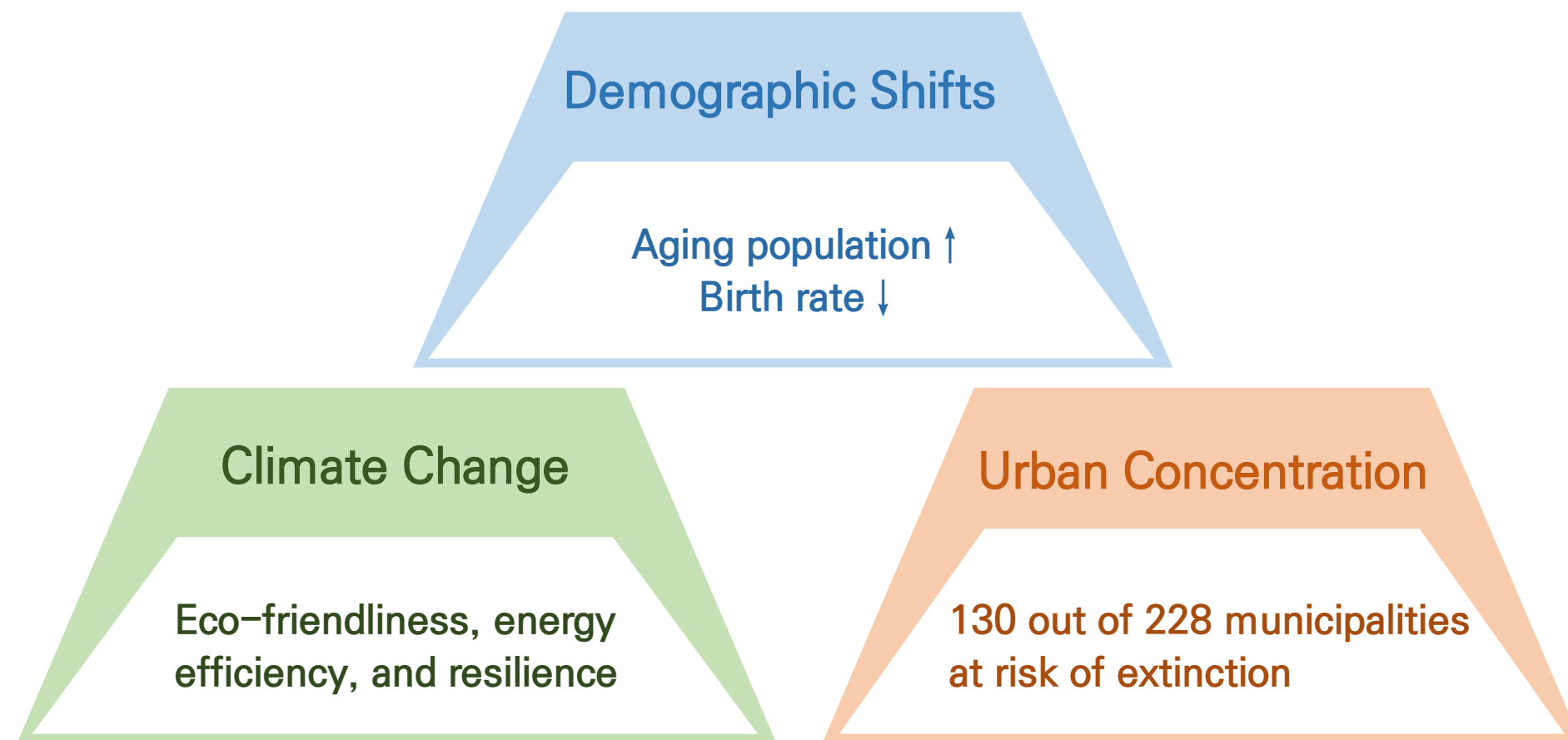
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The Changing Socio-Economic Paradigm



Megatrends Driving Socio-Economic Change

South Korea faces three defining megatrends:
Demographic Shifts, the Climate Change, and Regional Extinction





The Shift in Social and Infrastructure Demand

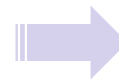
Driven by megatrends, infrastructure investment priorities are fundamentally transitioning from macro-economic growth to local well-being.

Past Paradigm

- Economic Infrastructure

Prioritizing Economic Growth

- Focus on national productivity and macro economic efficiency
- Investment skewed towards hard, large-scale civil engineering projects
- Highways, railways, mega-dams, and ports



Today's Paradigm

- Social Infrastructure

Prioritizing Quality of Life

- Focus on care, accessibility, community well-being, and on demand service provision
- Shift towards localized, service-driven soft infrastructure facilities
- Community care centers, museums, dormitories, and cultural facilities



Social Demand & Social Infrastructure

These two concepts are key terms for understanding the recent policy paradigm shift: Improving the quality of life

➤ Social Demand

- The need that prioritizes the public's quality of life, social equity, and community well-being over economic profit and growth
- Essential public goods / Non-excludability

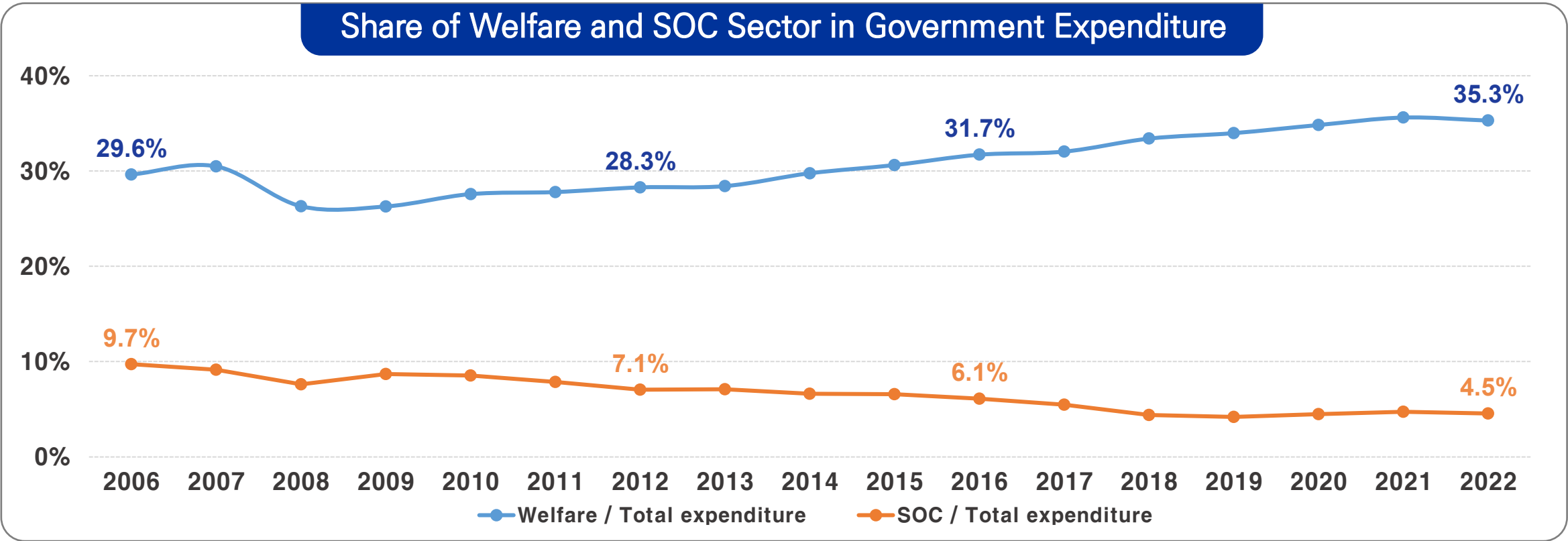
➤ Social Infrastructure

- The physical facilities and spaces constructed to meet social demand, often referred to as daily-life SOC
- Social value creation / Service delivery



Changing Fiscal Conditions

The continuous rise in welfare expenditure has heavily constrained the government’s budget for traditional infrastructure.



Note: 1) Welfare: Including Health and Labor expenditure.
2) Total expenditure: Sum of expenditure in 12 sectors in fiscal year.
Source: MOEF, Open Fiscal Data



The PPP Perspective

PPP models must adapt, moving from traditional economic frameworks to service-driven social models.

Parameter	Traditional Economic PPPs	Modern Social PPPs
Primary Objective	Economic efficiency & asset delivery	Social value creation & service delivery
Revenue Mechanism	User-pays	Government-pays
Risk	High demand risk	Demand risk retained by public sector
Project Scale	Mega-projects, high capital intensity	Small to medium scale, high operational intensity



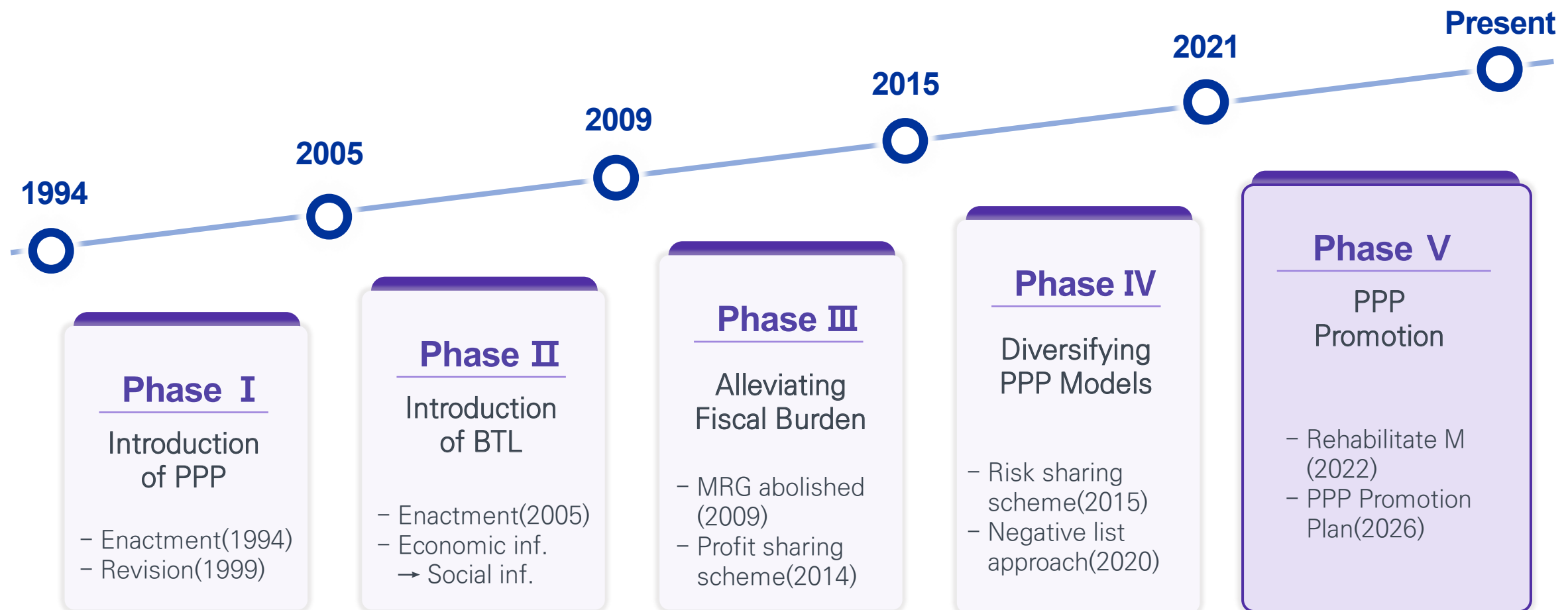
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Evolution and Diversification of PPPs



Evolution of PPP

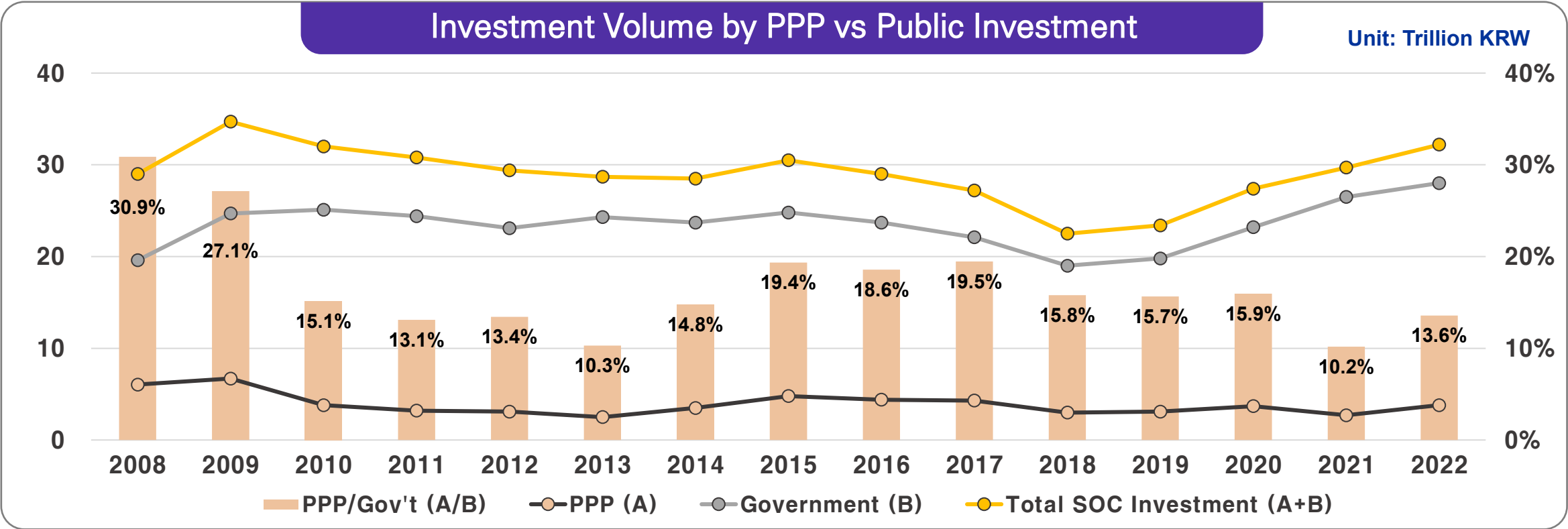
Over the past 30 years, PPPs have evolved by adapting to socio-economic changes and reforming the legal frameworks.





PPP vs Public Investment

PPPs represent a vital pillar of national infrastructure delivery, consistently contributing between 10% and 30% of total public investment.

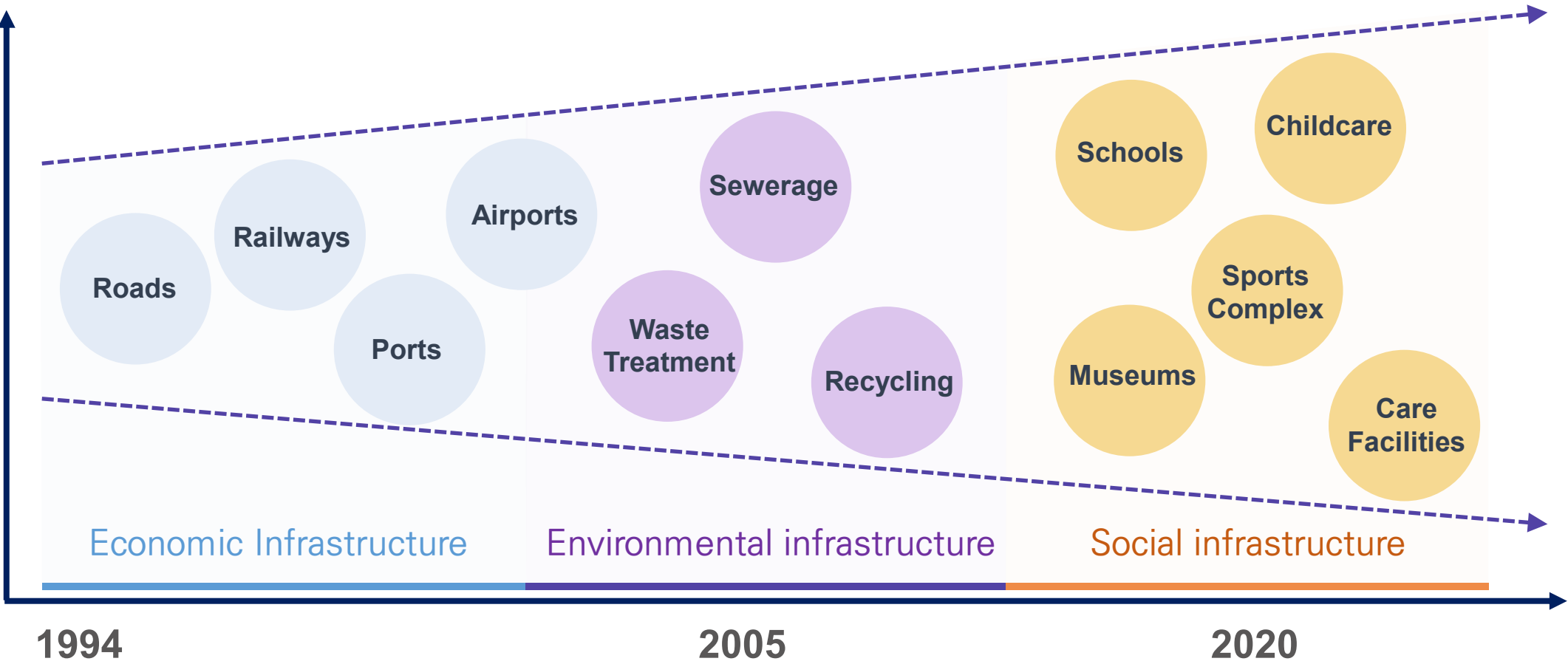


Note: 1) Government = Fiscal expenditures in the SOC sector for each fiscal year.
2) PPP = executed amount of total investment cost of PPP(BTO projects and BTL railroad projects) for each fiscal year.
Source: 1) MOEF, Open Fiscal Data
2) MOEF, "Report on the operation status and performance of PPP", each year.
3) KDI, 2022 KDI Public and Private Infrastructure Investment Management Center Annual Report, 2023. 8.



Diversification of PPP

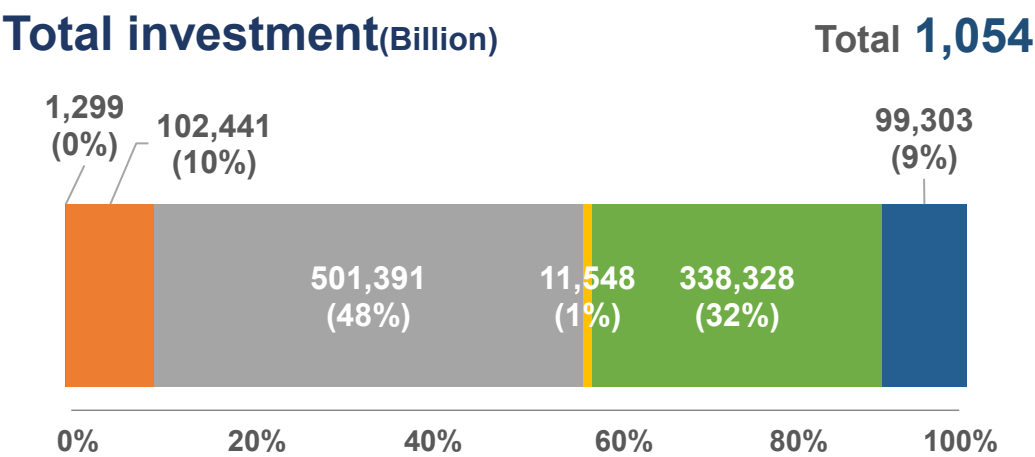
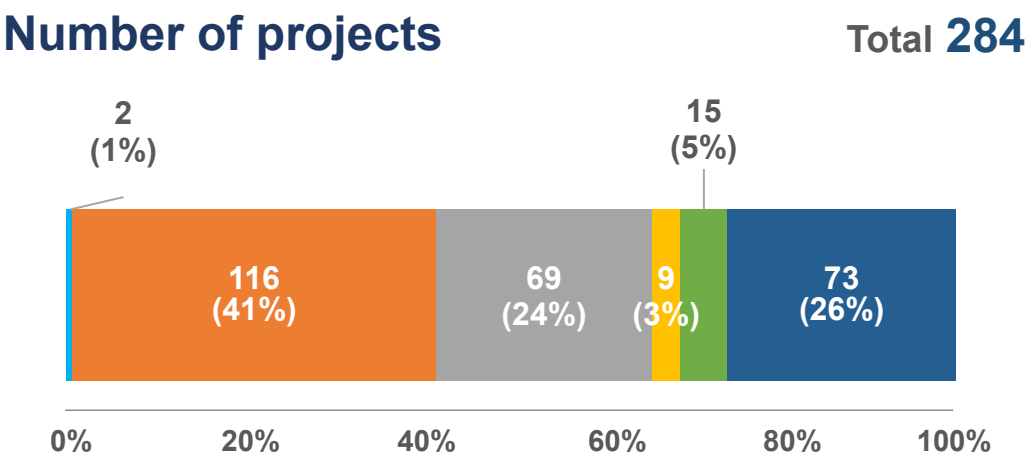
The scope and models of PPPs have continuously expanded and diversified over the years.



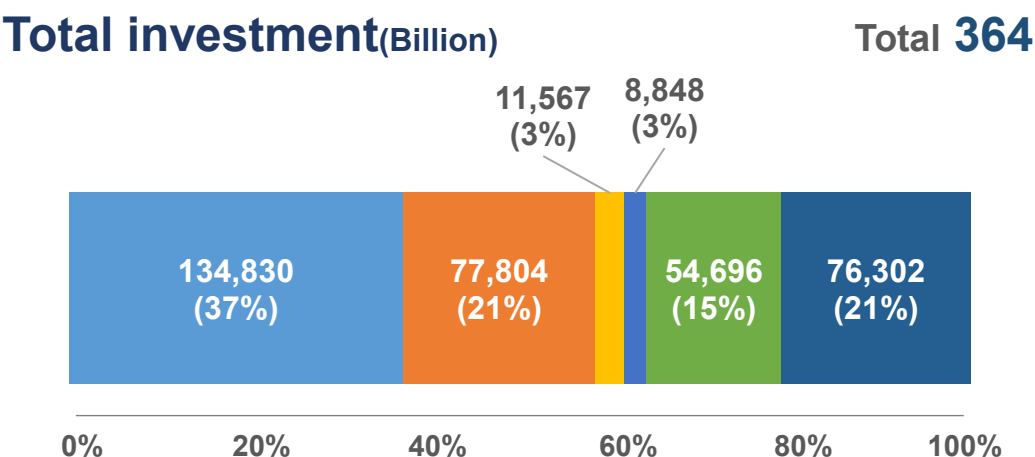
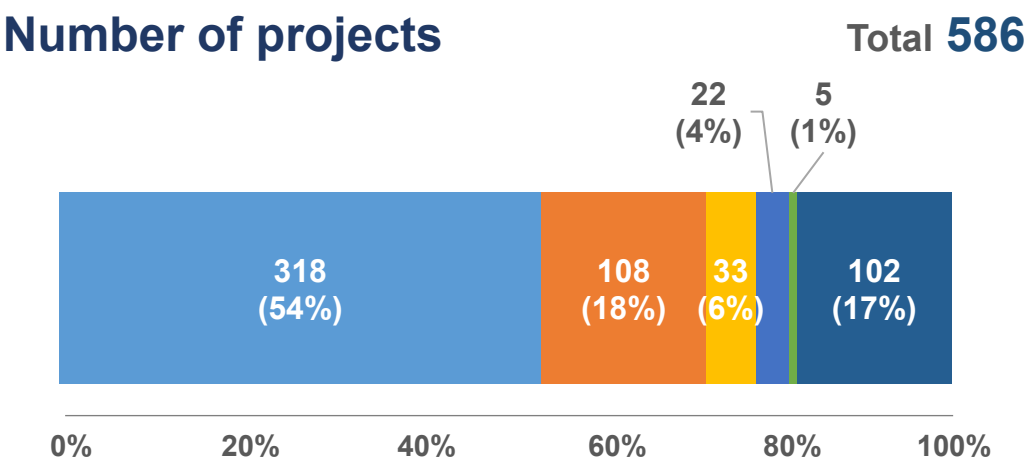


Current Status of PPPs(2024.12.)

BTO



BTL



Education Environment Roads Culture, Tourism Welfare Railways etc.



From Positive System to Negative System

The demand for new types of facilities has grown.

➤ Transition to Negative System(2020)

- A system that, in principle, allows all facilities to be pursued as PPP projects, except for those explicitly prohibited by law
 - New projects eligible as PPP should be reviewed and deliberated by the PPP Review Committee.
- Lowering PPP entry barriers to channel market liquidity into infrastructure and alleviate fiscal burdens
 - Driving economic growth through the maximized autonomy and efficiency of the private sector



03

Case Studies



Case 1: Arena

> Arena Project

Background	Despite the global prominence of K-pop, a lack of large-scale concert venues in South Korea
Facility	Arena, mid-sized performance venue, movie theater, popular music support facilities, and retail facilities
Type	BTO
Construction	38 months
Operation	30 years
Issues	Negotiations between the concessionaire and the government prior to signing the concession agreement: Cultural facilities, large-scale construction, and revenue sharing





Case 2: Ferris Wheel

> Ferris Wheel Project

Background	Lack of hardware infrastructure to support new tourism experiences
Facility	Ferris Wheel, concert hole, retail facilities, and amenities
Type	BTO
Construction	39 months
Operation	30 years
Issues	Demand estimating for domestic and international tourists, Safety in large-scale construction projects





Case 3: Agricultural and Marine Products Market

> Agricultural and Marine Products Market Project

Background	Improving aging facilities and maximizing space efficiency
Facility	Agricultural and marine products market, parks, cultural facilities, and commercial space
Type	BTO(Site-designated PPP)
Construction	24 months
Operation	40 years
Issues	Protecting the business rights of existing merchants and establishing a temporary market





Case 4: Public Hospital

➤ Geriatric Hospital / National Hospital / Regional Public Hospital Project

Background	On-site expansion due to issues such as aging facilities and space constraints
Facility	Hospital
Type	BTL
Construction	24 months
Operation	30 years
Issues	Profitability ↓ → private sector participation ↓ → competitiveness ↓





Case 5: Daycare Center

> Daycare Center Project

Background	Improving the childcare environment for Coast Guard personnel
Facility	3 daycare centers
Type	BTL(Bundling)
Construction	24 months
Operation	20 years
Issues	Low profitability of building a single childcare center, low birth rate





Case 6: Maritime Museum

➤ National Maritime Museum Project

Background	Contributing to the advancement of maritime culture and the fisheries industry through the discovery, preservation, research, and systematic exhibition of maritime heritage
Facility	Special Exhibition Hall, Maritime Library, Children's Museum, etc.
Type	BTL
Construction	28 months
Operation	20 years
Issues	Construction cost adequacy, demand forecasting, exhibition content development





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Structural and Policy Challenges



Expand into New Sectors and Models

Broaden the scope of PPPs into new sectors and project models to support economic growth(2026.02)

➤ Advent of emerging industries

- The shift to a negative-list approach has successfully facilitated the integration of non-traditional, future-oriented assets into the PPP framework.
- New technologies such as the 4th Industrial Revolution and AI are needed to be applied to infrastructure facilities: AI Data Centers and Integrated Environmental Facilities

➤ Challenges

- Absence of Standardized Eligibility Criteria
- Risk-Sharing Ambiguity
- Difficulty in demand estimation



Expand Citizen Participation and Improve Quality of Life

Share the benefits of PPP projects with citizens and expand community infrastructure.

➤ Sharing the benefits

- Public Participation Infrastructure Funds
 - By empowering citizens to directly invest in local infrastructure, this financial model aims to share the tangible benefits and economic gains of PPP projects with the community.

➤ Expanding community infrastructure

- Multi-purpose cultural centers, community healthcare facilities, urban parks, etc.

➤ Challenges

- The dilemma between financial viability and public interest
- Risk allocation



Revitalize Local PPPs

Promote locally driven PPP projects and reinforce safety standards in PPP projects

➤ Promoting regional economic development

- Introducing incentives for PPP projects in depopulation areas
- Strengthening regional-balance considerations in PPP evaluations and safety evaluation criteria in project procurement
- Exploring strategies to enhance the financial viability of single-facility projects

➤ Challenges

- Low demand and Project profitability
- Limited professional capacity and financial constraints of local governments: consulting services to discover and support Regional Social SOC projects



END OF PRESENTATION

Thank You