

# auri research brief

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## Implementation of Cooperative Public Projects with Privatized CSR Activities

As the number of public architectural and urban projects continues to increase, the majority of Korea's local governments still continue to only focus on creating individual facilities or spatial environments and fall short of giving full consideration to their operation and management aspects. As a result, there are many public facilities that are poorly managed and local governments lack the financial and technical capabilities to resolve these issues on their own. Possible solutions to these administrative limitations have been an ongoing topic of discussion overseas and in other related fields. Recently, the role of the 'new public' has been acknowledged, whereby local governments cooperate with third-party actors such as the private sector and NPOs to resolve public social issues. This trend of a renewed partnership between the public and private sectors has led to large corporations partaking in the creation of social values; with their large budget, expertise and manpower, many are getting involved in local issues in the form of corporate social responsibility (CSR) activities.

Through engagement in CSR activities, these corporations are striving to fulfill their social responsibility and help reinforce positive social values in response to internal and external pressures. At the same time, the public sector recognizes the need to harness diverse human and financial resources. These changes in perspective make it an appropriate time to consider corporate

participation in public architectural and urban projects.

This study aims to propose a system that connects privatized CSR activities with public architectural and urban projects in order to overcome limitations in budget, manpower, and expertise. In light of this, the objectives here are to ① analyze the policy and institutional conditions of connecting public architectural and urban projects with CSR activities, ② understand the demand for CSR activities in public architectural and urban projects, and ③ propose ways to draw connections between corporations and public projects.

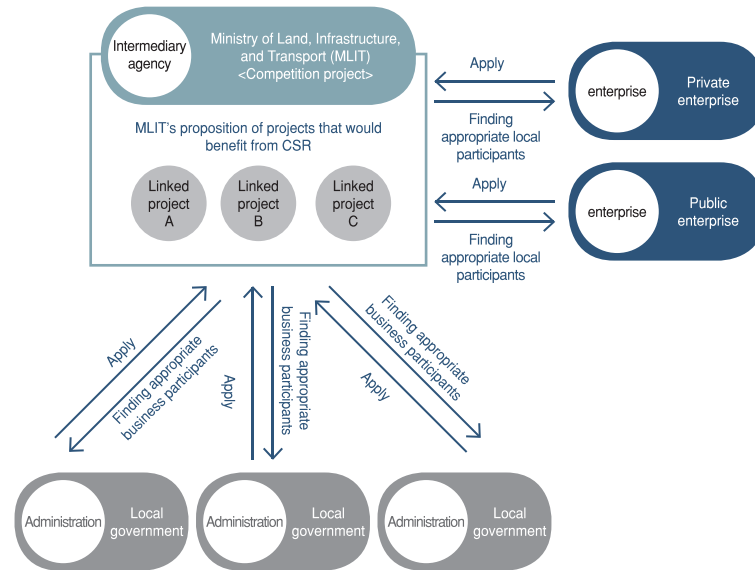
Following an analysis of current policy and institutional conditions, this study found that there were no established policies for CSR activities in architectural and urban public projects, and only a small number of corporations were voluntarily involved, including the ‘sae-ddeul village project’. Companies willing to participate in public architectural and urban projects could base their activities, as in other sectors, on the “Industrial Development Act”, “Small and Medium Enterprises Promotion Act”, “Corporate Tax Act”, and the “Income Tax Act”, and receive various tax benefits. this study found that the reason for such low level of participations particularly in architectural and urban public projects, was due to lack of political direction and institutional support that provides opportunities for involvement.

A survey distributed to corporates employees in charge of social contribution activities showed similar sentiments. As reasons for their low participation, corporations pointed out that ① they lack information regarding architectural and urban public projects compared to other sectors, ② there is a lack of professionals and organizations supporting social responsibility activities of corporations, and ③ there wasn’t enough relevant information regarding CSR activities. Despite these limitations, 71% of public organization members and 60% of employees in private entities agree that there is a need for CSR activities, especially in architectural and urban projects. 62% of public and 29% of private organization members showed interest in becoming directly involved in architecture and urban related CSR activities.

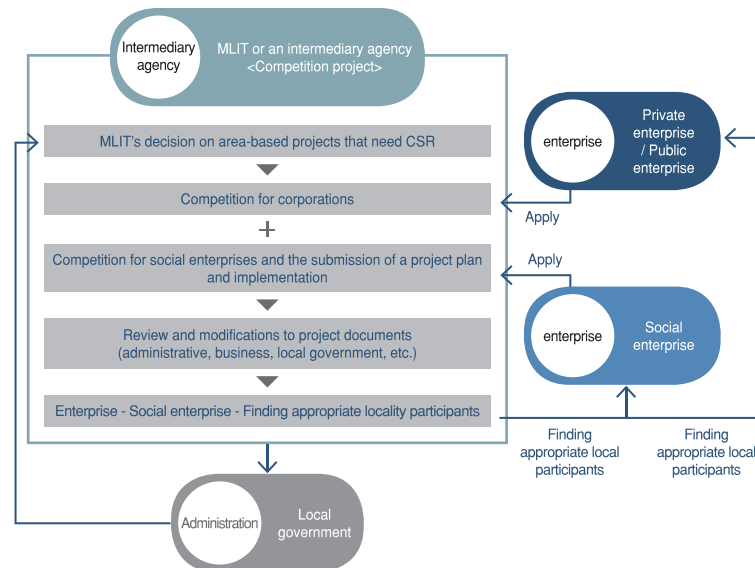
The study proposed three policy recommendations in order to improve the current situation and create a platform for public-private cooperation through CSR activities. First, there need to be clear policy directions delineating cooperative efforts between public organizations and private entities so that a fair and transparent procedure will encourage participation from the private sector. To this end, the study recommends a CSR competition as a means for providing corporations with relevant information and an open opportunity to participate. The two types of competition are: ① the collaboration of a number of corporations on a single project and ② an individual corporation or social enterprise spearheading its area of expertise from early planning to its operation and management phase.

**[Figure 1] CSR competition operational system for individual projects**

Source: Authors

**[Figure 2] Competition operational system for integrated support (from planning to operation and management)**

Source: Authors



Second, it is necessary to designate or establish an intermediary agency that connects businesses with local areas and provides consulting to support their endeavors. For this, either a ministry of the government, such as the Ministry of Land, Infrastructure, and Transport (MLIT) or an external professional organization can take the lead. If the former is chosen, an intermediary agency can be set up by securing dedicated personnel within the existing project

team or by establishing a separate team. For the latter method, a specialized organization, or a number of non-profit organizations may be entrusted for the task . Following a comprehensive review of the options, securing dedicated manpower within the MLIT project team or entrusting a specialized organization may appear to be the most viable short-term decision. However, from a long-term perspective, it is most desirable for non-profit organizations or a specialized team from MLIT to be designated as intermediary agencies in order to ensure expertise and continuous operation.

[Table] Options for intermediary agencies that link corporations and local initiatives

Classification		Advantages	Disadvantages
Administered by the MLIT	Alternative 1: dedicated manpower within the MLIT project team	<ul style="list-style-type: none"> <li>- Feasible in the short-term</li> <li>- Effective partnering between corporation and locality based on an in-depth understanding of the project</li> </ul>	<ul style="list-style-type: none"> <li>- Increased workload for the individual as they have to work as intermediary agency staff in addition to their current responsibilities</li> <li>- Possibility of inefficiency as there may be several intermediary agency staff members within the same organization</li> </ul>
		(case) MLIT Urban regeneration team “public-private partnership old housing improvement project” Osaka City Park maintenance team “Tennoji Park Entrance Area competition”	
	Alternative 2: establish a separate team within MLIT partnering between corporation and locality (public-private partnering)	<ul style="list-style-type: none"> <li>- Connect various projects of the MLIT to CSR activities</li> <li>- Avoid unnecessary duplication and conflicts on a departmental level and integrate operations</li> <li>- Easily identify and execute CSR projects through the leadership of a separate team of professionals</li> </ul>	<ul style="list-style-type: none"> <li>- The burden of establishing a separate team</li> <li>- Requires a comprehensive understanding of all MLIT projects by staff members</li> </ul>
		(case) Cultural Heritage Administration Cultural heritage education team, public-private partnering sub-team	
Utilize external organization	Alternative 3: entrust a specialized organization	<ul style="list-style-type: none"> <li>- Same advantages as alternative 2</li> <li>- Reduce burden of relocating departments or personnel</li> </ul>	<ul style="list-style-type: none"> <li>- Financial burden</li> </ul>
	Alternative 4: designate non-profit organizations	<ul style="list-style-type: none"> <li>- Same advantages as alternative 3</li> <li>- Reduce the financial burden of MLIT</li> <li>- Able to utilize the sustainability management support center stated in the “Enforcement Decree of the Industrial Development Act”</li> </ul>	<ul style="list-style-type: none"> <li>- Difficult to verify the expertise of an external organization</li> </ul>
		(case) Sustainability management support center, arts and culture support agency	

Source: Authors based on the survey

Third, in order to create an incentive for voluntary participation in public architectural and urban projects, various inducement and support policies need to be introduced in addition to the current tax benefits. Relevant ministries including the MLIT need to provide a work manual toolkit for corporations outlining project direction, detailed procedures, and the positive impact of getting involved in order to further promote participation. Other support mechanisms include founding a system for granting recognition and acknowledgement to companies with a high level of CSR activities that make local contributions.

**Keywords :** Social Value Creation, Corporate Social Responsibility(CSR), Public Architectural and Urban Projects, Public-private Cooperation

