

Buenos Aires Declaration on Trade and Women's
Economic Empowerment

Enhancing the Participation of Women
Entrepreneurs and Traders
in Government Procurement



Women's Company Preferential Purchase(WCPP) Policies in Korea

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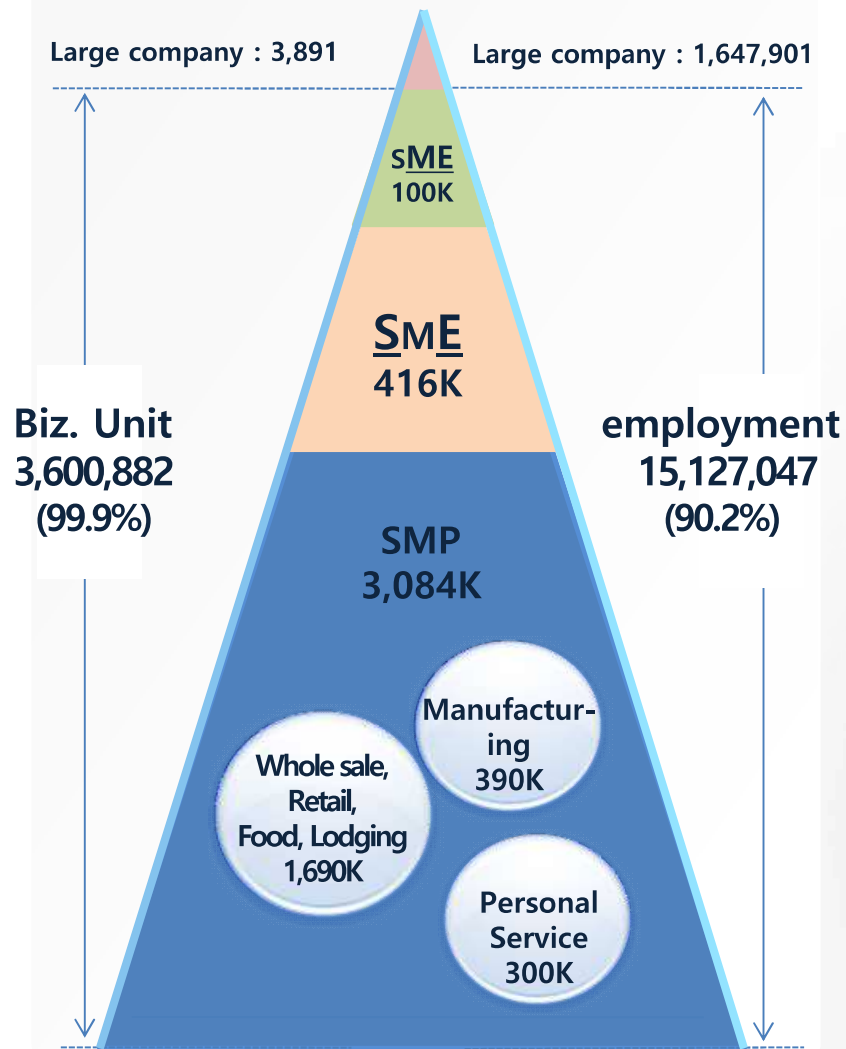
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1. SMEs and Women's Company Review

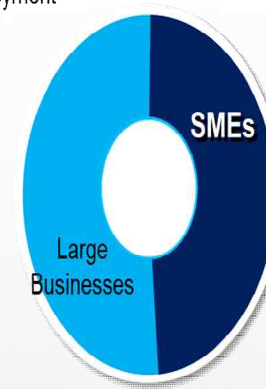
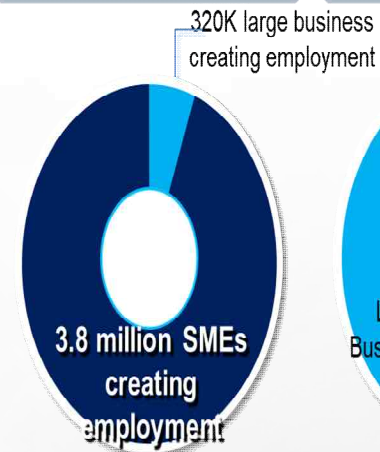
SMEs



92.2% of employment
contribution of SMEs

48.0% of GDP
generated by SMEs

47.7% of value-added
generated by SMEs



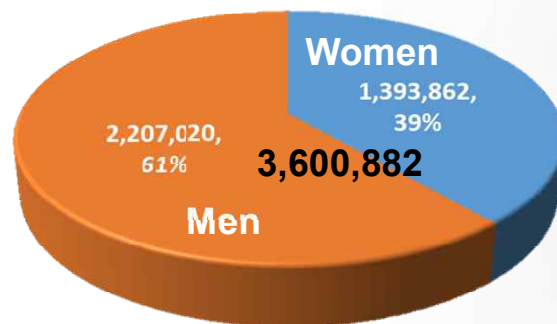
2015	Person	Small	Medium	Total
Women's	1,250,744	128,421	14,697	1,393,862
SMEs	3,084,376	415,955	100,551	3,600,882
Ratio of Women's	40.6%	30.9%	14.6%	38.7%

- SM-Person(SMP): Less than 10 people
- Small-ME(SME): Less than 50 people
- S-MediumE(SME): Less than 300 people

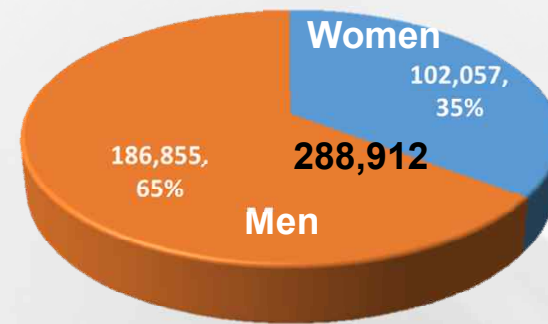
* it is slightly different threshold depending on industry and combined sales gross

1. SMEs and Women's Company Review

- By 2015, the number of SMEs in Korea is about 3.6M, and the number of women owned enterprises is about 1.4M, accounting for 38.7%.
- Approximately 280K SMEs are registered for qualified public procurement supplier, and about 102K women companies are registered. accounting for 35.3%.
- The proportion of SMEs registered in public procurement is about 3% p smaller than that of total SMEs because the participation of women in food and hospitality industry is very low size in PP market.



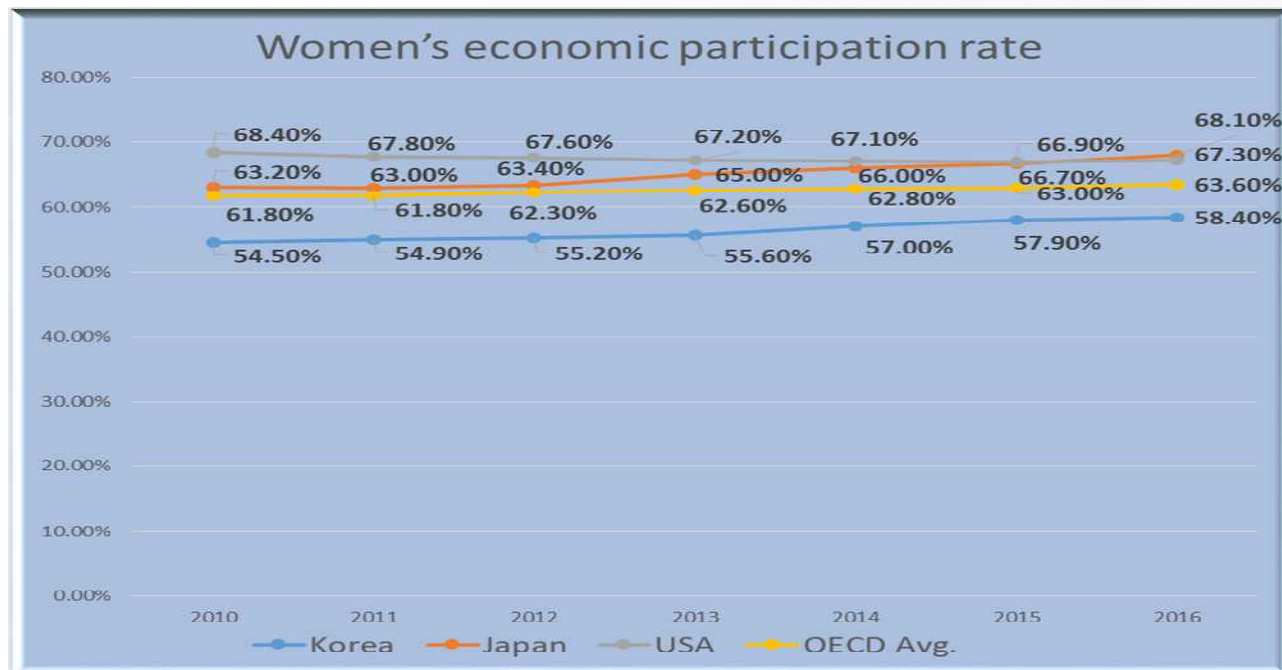
SMEs of All Industry(2015)



Registered SMEs of Public Procurement(2015)

1. SMEs and Women's Company Review

- Korea women's economic participation rate is low among the 35 OECD countries.
- Compared to the OECD, US and Japan, the gap is about 5% to 10%p
- Establish policies to prevent female career breaks and to maintain economic participation and career
- In this sense, public procurement is a very effective means of support.

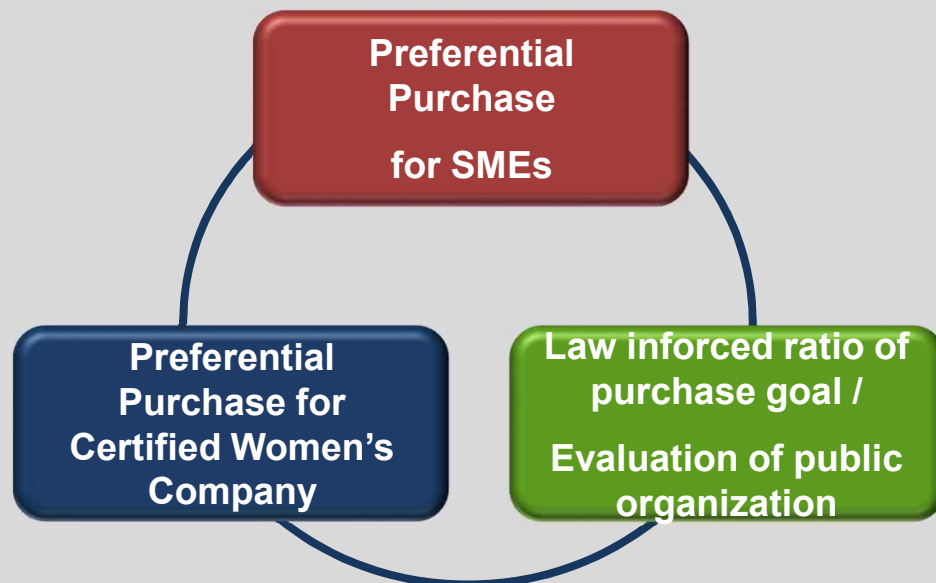


* OECD, Employment Outlook, 2017.

2. Women's Preferential Purchase Systems

> Women's Enterprise Policies in Public Procurement

Key Policies for Promoting Women's company



- **[Beneficiaries]** **Small and Medium-Sized Enterprises(including Women's SMEs)**
- **[Implementing Entities]** **Ministry of SMEs and Startup(MSS)**, Ministry of Trade, Industry and Energy(MOTIE), Ministry of Strategy and Finance(MOSF), Ministry of Interior and Safety(MOIS), **Public Procurement Service(PPS)**

2. Women's Preferential Purchase Systems

■ Legal basement

- In order to promote the establishment of substantial gender equality in the economic field by positively supporting the activities of women's enterprises and women's entrepreneurship,
 - **"The Act on Support of Women's Businesses"**, which is related to the support of women's businessmen, was enacted on June 1, 1999 .
- Article 7 of the 「Act on the Support of Women's Enterprises」 provides that "**the public institutions shall**, pursuant to the provisions of the Presidential Decree for the purpose of **increasing the purchases of SME products** (Article 9 to Article 17 of the" SME Promotion and Promotion Act "
 - **And it is possible to give preferential treatment to women's companies.** "

2. Women's Preferential Purchase Systems



■ Concept of public purchase system in public procurement

Various legal systems that allow the purchase of SME products in purchasing products

- (goods, works, services) by public institutions* such as national institutions, local governments, and public corporations
 - **Act on facilitation of purchase of small and medium enterprise-manufactured products and support for development of their markets**

* 836 institutions: 46 central governments, 260 municipalities(including the education office and basic organizations), 338 public institutions, 151 local public enterprises, 6 special laws, and 35 provincial medical centers

■ Major schemes of public purchase system

- **Small and medium enterprise product purchase target rate system**
 - SME products: Purchasing more than 50% of total purchase amount by public institutions (duty)
 - Technology development products: purchasing more than 10% of the purchase amount of goods of SMEs (duty)
 - **Female company products: 5% of the total purchase amount of goods and services, 3% or more of the total purchase amount of construction (duty)**
- * **Act on support for female-owned businesses**
 - Persons with disabilities products: purchasing more than 1% of total purchase amount by public institutions (duty)

2. Women's Preferential Purchase Systems

■ Major schemes of public purchase system

- **Competition system between SMEs**
 - **Competition between SMEs (204 products, 777 items)** recommended by the CEO of K-Biz and Minister of MSS, prohibited from competing with large enterprises.
 - * Products produced by 10 or more SMEs directly, with annual purchases of more than KRW 1B (about USD 906K)
 - Check production facilities to prevent imports and subcontracted production delivery (**direct production/manufacturing confirmation system**)
- **Preferential procurement contract with SMEs (Regardless of 204 products)**
 - Less than KRW 210M* for general goods and services, only SMEs participate, and less than 100M are entitled to participate in small businesses and small businesses
 - * threshold value for GPA (about USD 190K)
- **Single source contract with Women's company (Even if it isn't sole source contract)**
 - Less than KRW 50M for general goods and services can be single source (not competition) contract with a women company
- **Awarding additional points**
 - Selecting the winner, 0.25~1 point (applying differently, depending on the year of establishment) or 10% is added to the score (different for each public institution, depending on the method of awarding).

3. Effectiveness of WCPP

- As of 2017, Korea's public procurement volume increased by 18.21%, USD 112B and SMEs increased by 37.8%, USD 83.5B(one of the quantitative effects of SMEs)
- On the other hand, in the case of women-certified companies, the growth in the amount of Preferential purchase for women's enterprises is very high with USD 9B increased by about 320%.

Year	Gross sales (KRW Billion)	All SMEs (KRW Billion)	Ratio of SMEs(%)	WCC sales (KRW Billion)	Ratio of WCC (%)
2010	104,400	66,945	64.1	2,359	2.3
		67,727	67.8	2,596	2.6
		68,409	67.7	3,407	3.2
		69,191	69.7	4,479	4.0
		70,000	70.0	5,489	4.9
		85,486	71.7	7,142	6.0
		86,136	73.7	8,339	7.1
2017	123,408	92,248	74.8	9,907	8.0
10 → 17 Growth Rate	18.21%	37.80%	16.69%	319.97%	247.83%

* MSS, Public Purchase Planning and Sales, 2010~2018.

3. Effectiveness of WCPP

- As of 2017, Goods (8.3%), services (9.3%), and construction (7.3%) as of the end of 2018, while the total amount of purchases of women's produced things is KRW 9,900B(about USD 89.6B)
- 8.0% of the purchase target rate by sector also exceeded the purchase target rate(5% for goods, 5% for services and 3% for construction)

2017 Women's company sales(KRW Million)				2017 ratio of Women's company purchase(%)			
Total(H)	Goods(I)	Works(J)	Services(K)	Total(H/A)	Goods(I/B)	Works(J/C)	Services(K/D)
9,906,943	3,385,119	4,177,628	2,344,185	<u>8.0%</u>	<u>8.3%</u>	<u>7.3%</u>	<u>9.3%</u>

2016 Women's company sales(KRW Million)				2016 ratio of Women's company purchase(%)			
Total(H)	Goods(I)	Works(J)	Services(K)	Total(H/A)	Goods(I/B)	Works(J/C)	Services(K/D)
8,339,295	2,929,629	3,471,813	1,937,848	<u>7.1%</u>	<u>7.6%</u>	<u>6.3%</u>	<u>8.6%</u>

* MSS, Public Purchase Planning and Sales, 2017~2018.

3. Effectiveness of WCPP

- Average annual supply of companies with women as representative of all SMEs is KRW 137M lower
- Women-certified companies is more than KRW 105M compared to women's representative companies.
- Annual average growth rate: The women-certified firms is 3.2%p and 8.3%p larger than the total SMEs and women's representative firms.

Year	2010	2011	2012	2013	2014	2015	2016	2017	Avg.
Average amount of All SMEs (KRW Million)	252	268	247	230	242	222	258	248	
Women's Owner (KRW Million)	113	113	114	103	111	108	115	111	
Women's Certified (KRW Million)	218	217	219	219	213	218	226	<u>216</u>	
SMEs registration growth	N/A	14.9%	17.6%	35.4%	25.9%	22.7%	-4.7%	19.0%	
Women's Owner registration growth	N/A	15.1%	14.7%	13.9%	13.9%	13.7%	11.7%	13.9%	
Women's Certified registration growth	N/A	17.4%	24.8%	25.7%	28.6%	17.5%	7.4%	<u>22.2%</u>	
SMEs amount Growth	N/A	21.6%	18.3%	24.7%	32.7%	12.4%	10.6%	19.1%	
Women's Owner amount growth	N/A	13.7%	15.0%	14.6%	22.5%	11.3%	18.6%	14.3%	
Women's Certified Amount growth	N/A	18.3%	25.5%	26.1%	22.5%	37.5%	20.4%	11.3%	<u>22.8%</u>

* KONEPS Statistics Portal, calculated by KIP, 2018

4. Lessons from WCPP in Korea



- Pros.
 - As a means of activating women's businesses, public policies and institutions through public procurement are effective.
 - Dramatic changes in economic imbalances through affirmative action(various public purchase instruments)
- Cons.
 - To prevent that the phenomenon of cherry picking is also increasing in order to utilize only the benefits for women's companies and to offset public procurement resources.
 - Public procurement resources are limited, and the number of supportive female enterprises is continuously increasing, resulting in the diminishing effect of support.
- Further steps
 - Develop and implement a mechanism for sustainable growth by transforming the resources benefited from the public procurement market into a source of competitive advantage in the private market.

The background is a composite image. On the left, a city skyline with several tall skyscrapers is reflected in a body of water. Above the city, a globe is shown with an airplane flying around it. In the upper right, two seagulls are flying against a blue sky with white clouds. A long bridge spans the water in the middle ground. The text 'Thank You' is overlaid in the center in a large, blue, outlined font.

Thank You

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