

## **Analysis on Economic Effects of Korean Procurement Policy for SMEs Using SMEsâ€™™ Input-Output Table**

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Author: Youngho LEE

Co-Authors: jaejin Kim, Jinmyon LEE

In Korea, public procurement schemes are implemented by Small and Medium Business Administration (SMBA) and Public Procurement Service (PPS). In particular, mandatory procurement for SMEs can encourage to increase the sale of SMEs to flourish the SME sector in Korea. Mandatory procurement for SMEs is the generic term for schemes to promote SMEs in public procurement provided by the government sector (governmental institutions, self-governing communities, and public organizations, provincial corporations, etc. as per Act on the Management of Public Institutions), defined by Article 2, Act on Facilitation of Purchase of Small and Medium Enterprise-Manufactured Products and Support for Development of their Markets.

SMBA announced that the share of SMEs in public procurement accounts for approximately 70%, and the public procurement provided by SMEs can exceed US\$ 72 billion, since implemented in 2006. Mandatory procurement for SMEs enable encourage the growth and development of SMEs, and thus, the paper utilized the IO table by firm sizes to measure the economic effect to SMEs in public procurement.

This study aims to analyze economic ripple effects induced from the mandatory procurement policy for SMEs such as the value-added and employment. The Korean SMEsâ€™™ input-output table is applied to analyze the mandatory procurement policy for SMEs.

According to the result, the mandatory procurement for SMEs promotes to flourish SMEs and create the value-added and employment positively. Though this policy would be one of ways to vitalize SMEs, this study casts further research idea such as moral hazard related to the SME's status abuse to coincide with standards of mandatory procurement.