



KOREA'S INSTITUTIONAL FRAMEWORK ON SME DIGITALIZATION

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Ministry of SMEs and Startups as the key institution for MSME policies in Korea

- MSMEs are the backbone of the Korean economy
 - Account for 99% of the businesses and 82.9% of the employment
 - However, productivity gap has been widening compared to large enterprises
- Ministry of SMEs and Startups (MSS) was created in 2017 for more effective implementation of MSME policies
 - Formerly the “Small and Medium Business Administration” under the Ministry of Trade, Industry and Energy
 - MSME-related policies from other Ministries and government entities were merged and transferred to the MSS



Overview of MSME digitalisation strategy in Korea

Modernising the manufacturing sector

- Manufacturing sector: Around a quarter of the country's GDP
- Integration of Industry 4.0 technologies in manufacturing processes as a way to enhance manufacturing SMEs' competitiveness
 - Smart manufacturing programme
 - Manufacturing data platform

Supporting micro-enterprise digitalisation

- Micro-enterprises: 93.3% of Korean enterprises, with a large percentage in wholesale and retail trade, and accommodation and food
- Focus on digital uptake of brick-and-mortar businesses
 - Support for e-commerce sales
 - Grants for digital tools and equipment



Policy efforts to help SMEs digitalise initiated from the early 2000s...

- ICT strategy, and its subsequent policies were implemented from 1999 to facilitate diffusion of ICT infrastructure and equipment
- “Act on the Promotion of Technology Innovation of Small and Medium Enterprises” enacted in 2001 to prepare SMEs for the new digital era and reduce technology gap between small and large businesses
 - “Supporting Informatisation of Small and Medium Enterprises” stipulated in the law (Article 18)
 - Provided the foundation for supporting SMEs’ uptake of digital technologies, with first policy support introduced in 2002 on fostering “e-manufacturing”



... but policies were often un-coordinated between different government entities

- Different Ministries implemented their own SME digitalisation support programmes
 - 1 million SME Informatisation support programme (2005 - 2008 , Ministry of Information and Communication)
 - SME Informatisation support programme (2007 – 2016, Small and Medium Business Administration)
 - SME IT support programme (2004 – 2005, Ministry of Knowledge Economy)
- Programmes often had short-term KPIs, with focus on basic-level digitalisation
- SME digitalisation policies were consolidated after the establishment of the Ministry of SMEs and Startups in 2017



Promotion of Smart Manufacturing as an example of inter-ministerial policy framework

- In 2018, an inter-ministerial “Smart factory diffusion and advancement strategy” was introduced
- The MSS spearheads the implementation of the strategy, collaborating with other actors (e.g. Ministries, regional governments, the private sector)



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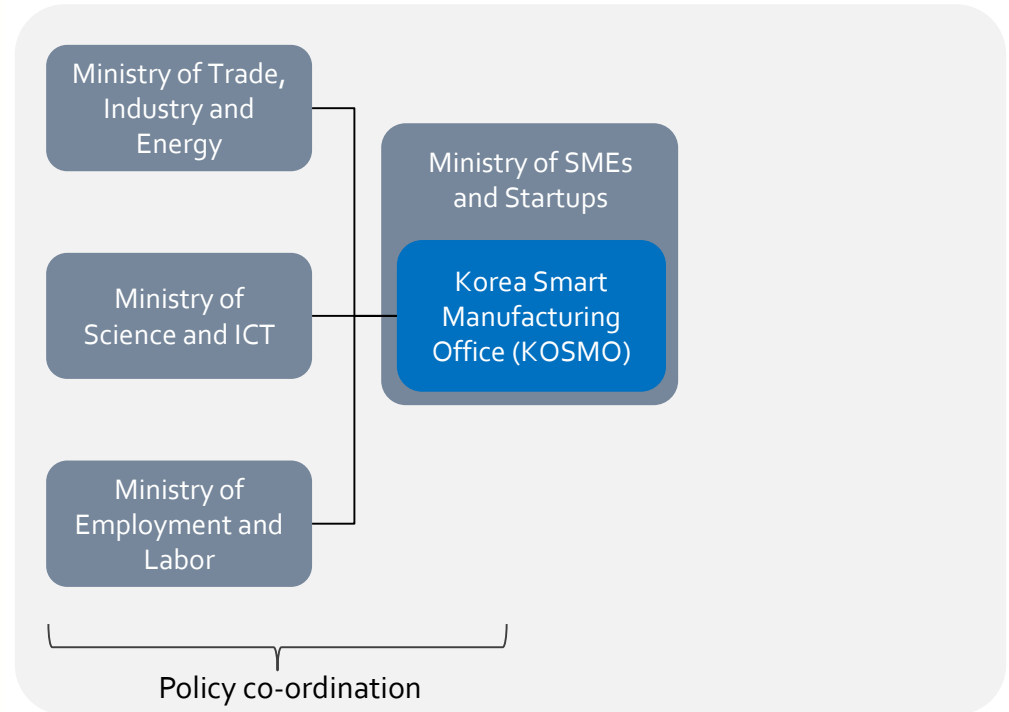
Ministry of SMEs
and Startups

Korea Smart
Manufacturing
Office (KOSMO)



Promotion of Smart Manufacturing as an example of inter-ministerial policy framework

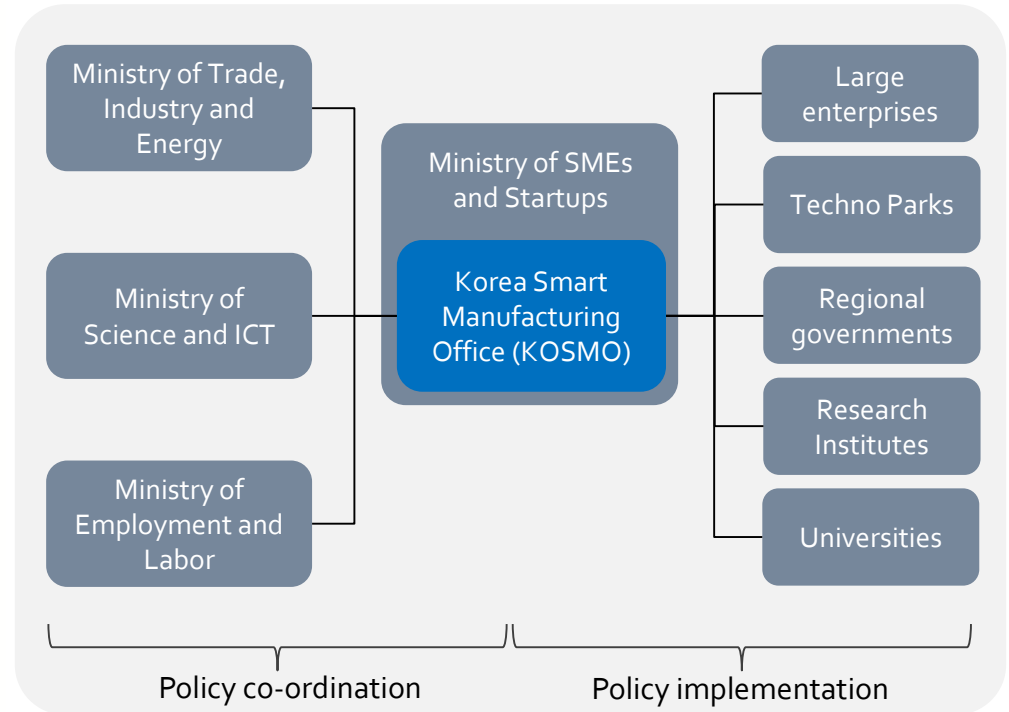
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Recent policy co-operation on SME digital skills

Youth Digital Job Programme

- Providing wage subsidies to SMEs for hiring youth (15-34) with IT skills
- Matching companies with a wide range of digital skills (e.g. Online contents management, programming)
- Co-operation between the Ministry of Employment and Labor and the Ministry of SMEs and Startups



Rahmat - Thank you

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