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| **Please distribute this press release beginning on the evening of Thursday, Aug.29. 2019** |
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| **Budget focusing on Smartification projects to** **“Establish the World’s Best DNA Korea”** |

The Ministry of SMEs and Startups (Minister Park Young-sun, hereafter “MSS”) announced that it will submit its proposed KRW 13.5 trillion budget for 2020, which is KRW 3.2 trillion more than the KRW 10.3 trillion main budget for 2019.

The MSS prepared the 2020 budget plan under the slogan “Connecting Makes Things Stronger,” with a special focus on ① future growth of SMEs (ex. conversion into the AI society), ② support for the scale-up with increasing investment in start-up and venture companies, and ③ smartification of the stores for small businesses and self-employed to be able to flexibly respond to the changing consumer environment such as the expanding online market.

First, the plan reflects a large portion of the budget to support manufacturing innovation and technology development to construct the “World’s Best DNA (Data, Network, AI) Korea.”

Most of all, it will carry forward a project to establish the “Manufacturing Data Center” that can analyze and process the data generated from smart factors (first phase in 2020, KRW 6.7 bn). The Manufacturing Data Center is expected to be a “critical factor” for realizing the “World's Best DNA Korea,” like the case of early 2000 that the bold investment for high-speed Internet network greatly contributed to the reconstruction of economic fundamentals and the economic takeoff.

The MSS significantly expanded the budget for increasing the penetration rate of smart factories that will make the manufacturing process much smarter (KRW 312.5 bn in 2019 → 415.0 bn in 2020) and extended its coverage from the manufacturing industry to the service industry.

To this end, the plan introduces new budgets for the smart service project (KRW 9.3 bn) and the smart store project (KRW 2.1 bn). The former is to provide solutions for logistics and business management with SMEs through the manufacturing data center. The latter is to support for small businesses to utilize new technologies such as smart mirrors.

The budget for R&D to support technological innovation and commercialization for SMEs increased by KRW 381.5 bn from the level of 2019 (KRW 1,074.4 bn) to 1,455.9 bn. In particular, the plan reflects plenty of new R&D projects for the next generation such as the AI and smart sensors to provide a stepping stone for the creation of new growth industries in the future.

The expanded R&D budget will be used especially to support the creation of new industries to catch up with the Fourth Industry Revolution. At the same time, the MSS will put through improvements of R&D support system to bear the fruits of the policies to satisfy the demands for R&D in a various way and to strengthen collaboration between industries, universities, and institutes and between small-, medium-, and large enterprises.

Second, the MSS also plans to enlarge the budget to back up for takeoff of start-up and venture companies.

It will start to actively support start-ups of the three major fields of innovation, namely, system semiconductor, bio-health, and future cars. A project (KRW 45 bn) to support a set of 300 start-ups in such fields is newly launched. In addition, a mentoring project with a budget scale of KRW 4.6 bn will start to make a linkage between retired experts and start-ups.

For the continuous and expanding investment in ventures in relation with the growing“second venture boom,” the plan reflects KRW 1 trillion (KRW 240 billion in 2019) of the budget for Fund of Funds (FoFs) investment which will pump up the source of capital. The FoFs budget for 2020 will be used as financial sources to support the companies expected to contribute to the future economy of Korea, for example, by the promotion of the field of components, materials, and equipment, the establishment of new businesses in the three major areas of innovation, and scale-up of start-ups.

It also enlarged the budget for TIPS to support technology start-ups in collaboration between the government and the private sector (KRW 38.9 bn in 2019 to 54.4 bn in 2020) and for the in-company venture program (KRW 10 bn in 2019 → KRW 20 bn in 2020). A new budget is also planned to aid start-ups of which promising future is acknowledged in the private sector to leap into “unicorns” (KRW 12 bn for nurturing potential unicorns).

Third, the plan reflects the budget for R&D and FoFs to actively respond to the export controls of Japan.

In addition, KRW 118.6 bn of budget was planned for components, materials, and equipment in the 4 R&D projects that include the development of commercializing technologies and technological innovation of SMEs.

For the general budget, new fund exclusive for FoFs components, materials, and equipment (KRW 60 bn) was organized and KRW 60 bn and 20 bn of credit guarantee contributions were secured for Korea Credit Guarantee Fund and Korea Technology Finance Corporation, respectively. In overall, the MSS planned total KRW 258.6 bn for the budget to respond to the export controls of Japan.

Fourth, a budget was prepared for helping small businesses and self-employed flexibly respond to the changing environment.

The plan reflects expanded budget to support construction of medium platforms and production of contents for self-employed and small businesses so that they can do marketing and PR by themselves in an online space (KRW 7.5 bn in 2019 to KRW 31.3 bn in 2020, + KRW 23.8 bn). It also reflects the budget for the smart store project (new, KRW 2.1 bn) to support for small stores to take advantage of new technologies in the 4th industrial revolution and provide customized products and services with saving costs.

According to the plan for expanding small business members that provide easy payment, it increased the related budget (KRW 6 bn in 2019 to KRW 12.2 bn in 2020). In addition, it reflects the budget of KRW 231.3 bn (KRW 177.2 bn in 2019) to issue KRW 2.5 trillion of Onnuri Gift Vouchers with an aim for revitalizing traditional markets and stores.

It also enlarged the budget for training programs such as “New Business Start-up Academy” targeting small businesses and self-employed. It plans to establish a research institution under the Korea Small Business Institute for systematic and in-depth research on small businesses and self-employed.

Fifth, it includes the budget for regulation-free special zones to support the balanced economic growth through the upbringing of regional industries for the future such as future cars and bio-health.

It also reflects total KRW 61.5 bn for seven areas including Busan and Sejong which are designated as regulation-free special zones this year. It aims for the full operation of such zones, for example, by providing R&D funds to support demonstration and commercialization of new technologies and services, and other funds to construct the infrastructure for the effective demonstration and lead advance in trial manufactured goods and their commercialization.

Sixth, it enlarged the budget to support businesses and personnel for SMEs that have economic difficulties.

The MSS newly launched a program (KRW 59.4 bn) to provide vouchers with small-scaled manufacturing companies that have been in a blind spot of the governmental support so as for them to have technical assistance and consulting services depending on their needs.

There was also increase in the budget (KRW 204.2 bn in 2019 to KRW 339.9 bn in 2020, + KRW 135.7 bn) for Naeil Cheum Mutual Aid Program for Youth Employees which supports for the youth working at SMEs to save a large sum, to provide the benefit with additional 40,000 people. Also, a new budget (new, KRW 3.7 bn) was reflected in the plan to support the SMEs who wish to employ retired, professional personnel on a short-term basis and to strengthen their specialized competition and solve failure in job matching.

Seventh, it enlarged the budget to help the small- and medium venture companies to enter the international market.

It plans to found the Korea Start-up Center (KSC) in Finland and Sweden which will play a role as a hub for start-ups' market entrance and carry forward the Youth Personnel Global Marketing project (new, KRW 2 bn) for pioneering the international market.

Also, it expanded the project for Export Voucher (KRW 98.5 bn in 2019 to KRW 99.8 bn in 2020) to provide tailored marketing support for companies.

Lastly, it increased the scale of guarantees and loans for SMEs and small businesses by total KRW 10.0 trillion (+ KRW 1.2 trillion for loans and + KRW 8.8 trillion for guarantees) taking consideration of their financial difficulties.

It also increased the budget for the financing operated by the Korea SMEs and Startups Agency (KOSME) by KRW 900 bn (KRW 3.7 trillion in 2019 to KRW 4.6 trillion in 2020). In particular, the budget of KRW 300 bn is secured for the “future technology growth fund” and “high growth promotion fund,” respectively, to apply higher credit lines to companies with a great potential for further growth.

In addition, the loan provided by the Small Enterprise and Market Service was increased by KRW 300 bn (KRW 1.95 trillion in 2019 to KRW 2.25 trillion in 2020).

Also, the government investment to support Korea Credit Guarantee Fund, Korea Technology Finance Corporation, and regional Credit Guarantee Funds was enlarged by KRW 355.2 bn. Next year, their scale for guarantees on SMEs and small businesses will increase by KRW 8.8 trillion (KRW 22.2 trillion in 2019 to KRW 31.0 trillion in 2020).

The MSS announced that the budget plan was made, reflecting the opinions from SMEs and Startups, Micro-enterprises, self-employed to provide practical support with them. It expressed its will to make the best effort for the plan to be passed in the deliberation by the National Assembly.z

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| **Ministry of SMEs and Startups** |