



ASIAN DEVELOPMENT BANK

KIP KOREA INSTITUTE
OF PROCUREMENT

e-Procurement education program in Asia and Pacific Region

Supporting Innovation and SMEs through Public Procurement

2025.4.

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Contents

1. Key Features of Korea's Public Procurement System

2. Support for SMEs through Public Procurement

3. Understanding Innovative Procurement System

4. Discussion

KiP

Present leading policies
in the field of Public
Procurement

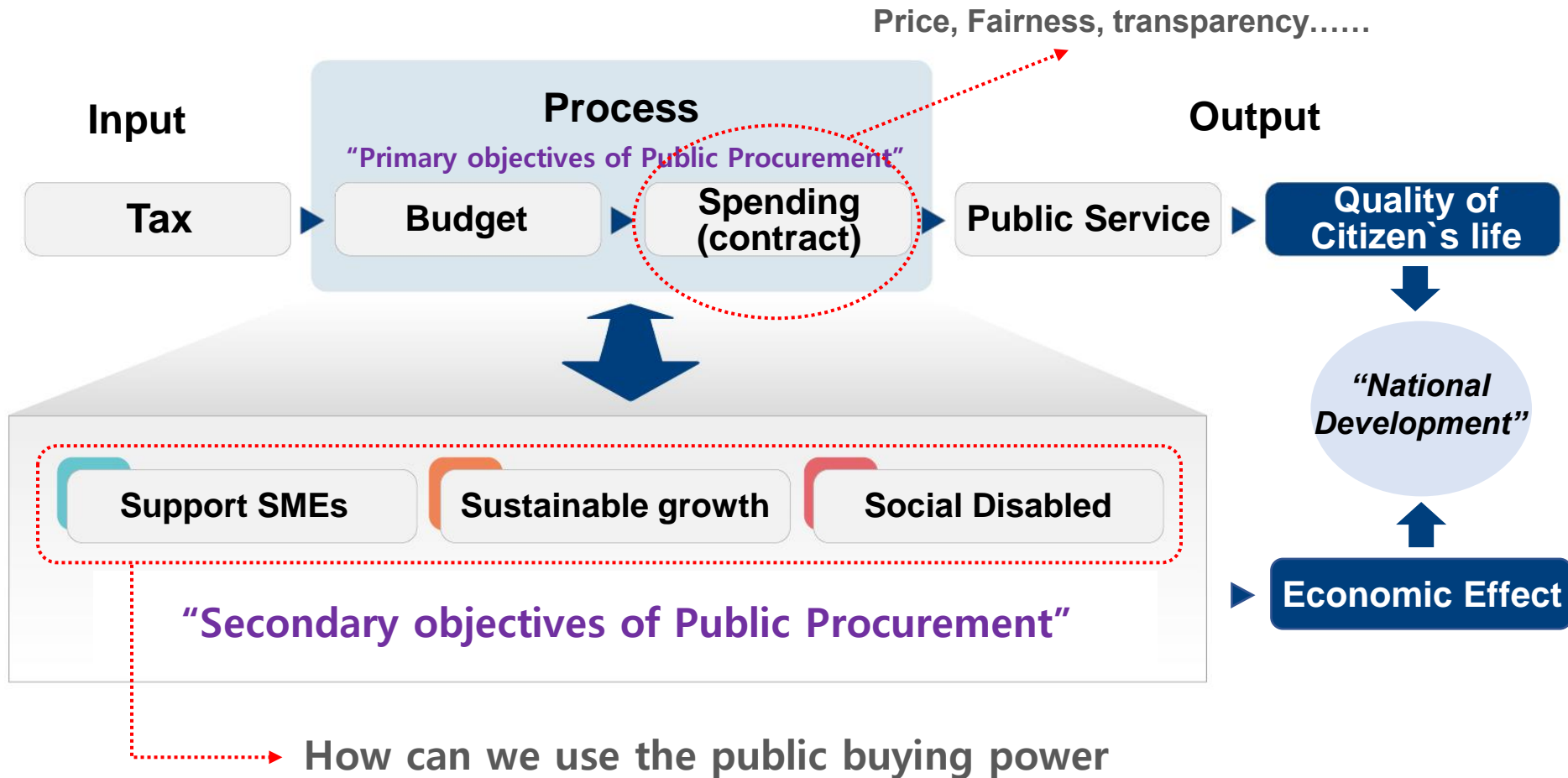
▶ Why is the Public Procurement Important?



Example of Policy Use of Public Procurement (Case of Korea)

Supporting companies	Sustainable society		Distribution of materials
Supporting SMEs and socially disadvantaged companies	Promoting technological innovation	Preferential treatment of eco-friendly products	Rapid distribution of emergency supplies

▶ Main Purpose and Strategic Utilization of Public Market



➔ Strategic Approach of the public procurement policy

▶ Changes in Public Procurement & Government Policies (Focus on Innovation)

Material distribution
& Financial execution
(1945-1993)

National reconstruction, people's livelihood stability, economic foundation construction

PPS founded(1961.10)

The era of quality assurance
(1993-2006)

Technology traction using public procurement from the perspective of industrial promotion

→ Promote policy feasibility through government-run public procurement markets

e-procurement system launching(2002.10)

1st Supplier-Centered
Innovation
(2006-2019)

Full-scale implementation of public procurement system for SME innovation

→ Major reorganization to emphasize innovation of SMEs and utilize public procurement system

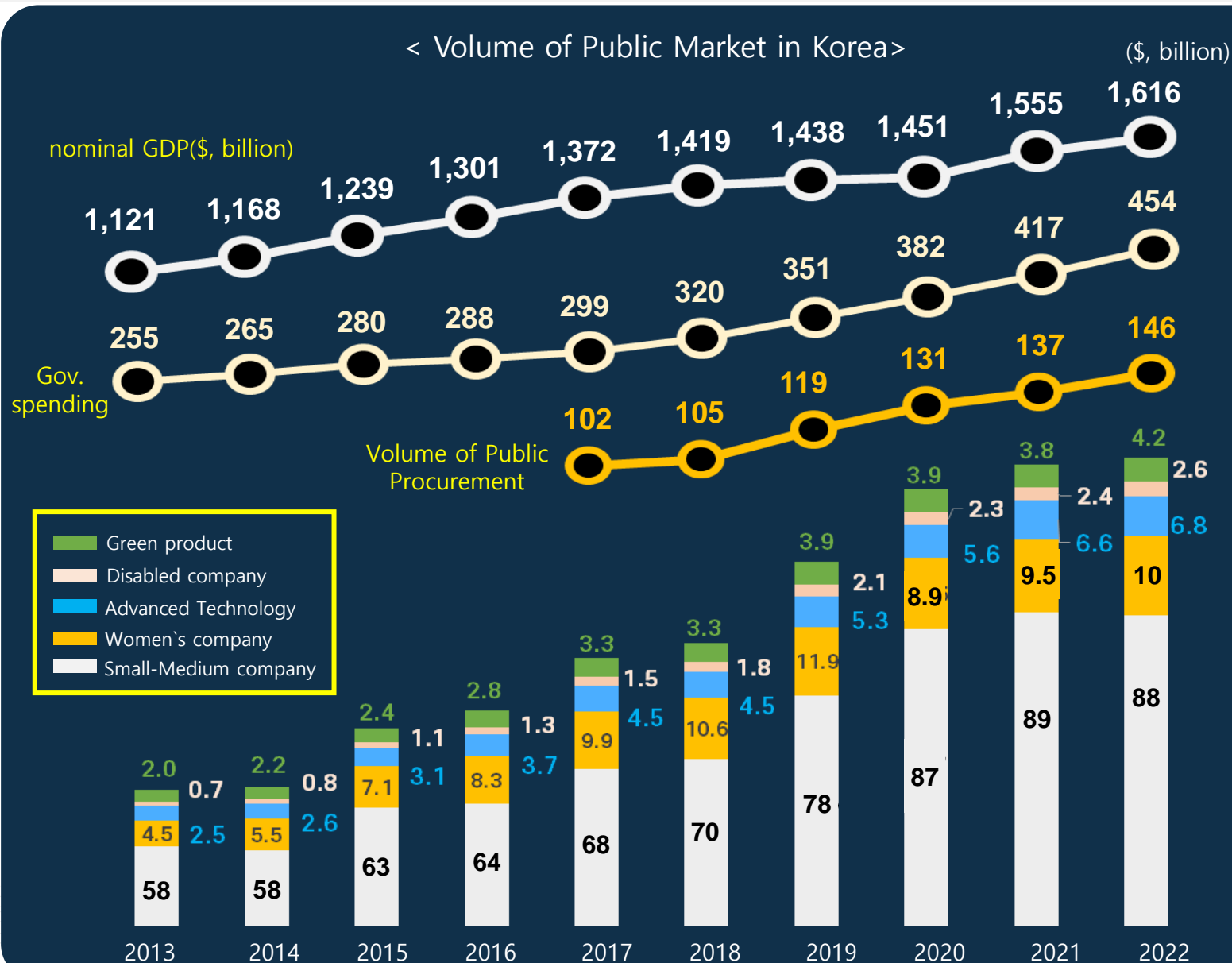
2nd Demand-based
innovation
(2019-present)

Introduction of innovation procurement to improve public services

→ Introduce innovation procurement policy to promote people's livelihood through improvement of public service

→ Establishment of public procurement as an important area of national policy and establishment of a pan-ministerial control tower

Key Features of Korea's Public Procurement System



■ Latest trend of Korea's Public Procurement Policy

- Efficiency in purchasing government goods
- SME protection
- Certification on ready-made product/partial improvement



Innovation Procurement Policy

- Creation of an initial market for innovative products
- Public demand discovery and corporate innovation linkage
- Innovation procurement platform, cross-ministerial collaboration system

Expanding its functions as a key government policy agenda and policy instrument

Activation
of innovative
purchasing
system

Industry
innovation
&
Policy linkage

Governance
establishment
&
Improvement of
procurement
administration



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▶ Good way to understand of Korea's Public Procurement Systems for SMEs

Public Procurement System in Korea

Purchase Contracts (Operation Part)

Contract business area for purchasing (contracting) goods, services, construction, etc. for administrative actions of state institutions

- Public Procurement Service performs most of the contract work required by the country
- **Good quality, reasonable price, and transparency** in the contracting process are the top priorities

Policy Utilization (Promotion Part)

Areas that are strategically applied, such as reflecting a separate support system to achieve policy goals (eg, preferential purchase of SME products)

- In order to utilize the procurement market, **as a means to achieve policy goals**, relevant institutions are in charge of laws and systems and operate them.



The ways to use Strategic Public Procurement

① Reflecting the contract system

② Promoting purchase of specific products & preferential treatment for specific companies

③ Regulations & Support

▶ Present Act related to Public Procurement

NO	Law Title	Gov. Dept
1	ACT ON CONTRACTS TO WHICH A LOCAL GOVERNMENT IS A PARTY	Ministry of the Interior and Safety
2	ACT ON CONTRACTS TO WHICH THE STATE IS A PARTY	Ministry of Economy and Finance, Public Procurement Service
3	GOVERNMENT PROCUREMENT ACT	
4	ELECTRONIC PROCUREMENT UTILIZATION AND PROMOTION ACT	
5	ACT ON FACILITATION OF PURCHASE OF SMALL AND MEDIUM ENTERPRISE-MANUFACTURED PRODUCTS AND SUPPORT FOR DEVELOPMENT OF THEIR MARKETS	Ministry of SMEs and Startups
6	ACT ON THE PROMOTION OF PURCHASE OF GREEN PRODUCTS	Ministry of Environment
7	SPECIAL ACT ON THE PREFERENTIAL PURCHASE OF PRODUCTS MANUFACTURED BY PERSONS WITH SEVERE DISABILITIES	Ministry of Health and Welfare

Contract Law

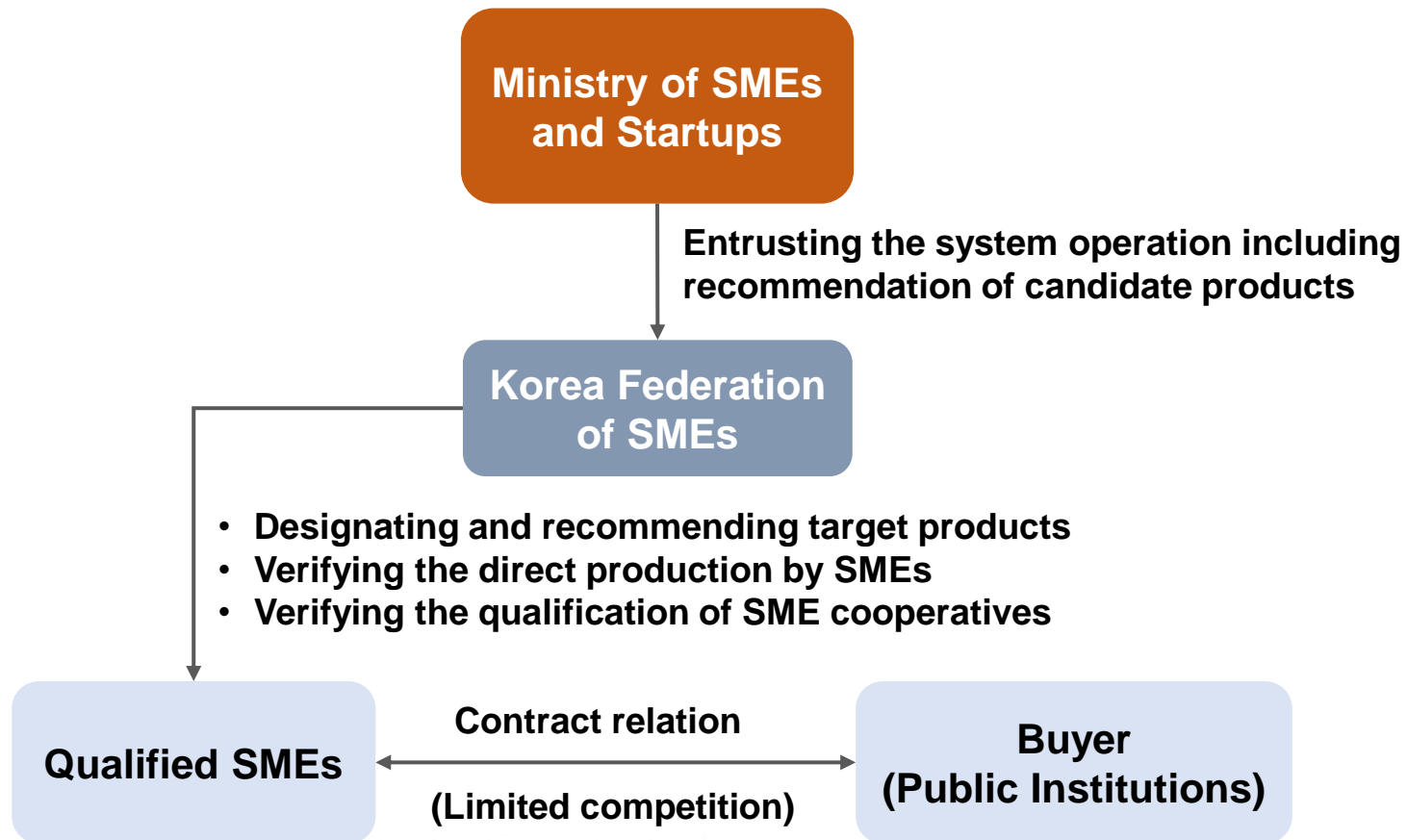
Central Gov.
Procurement Law

E-procurement Law

Using Gov. buying
power Law

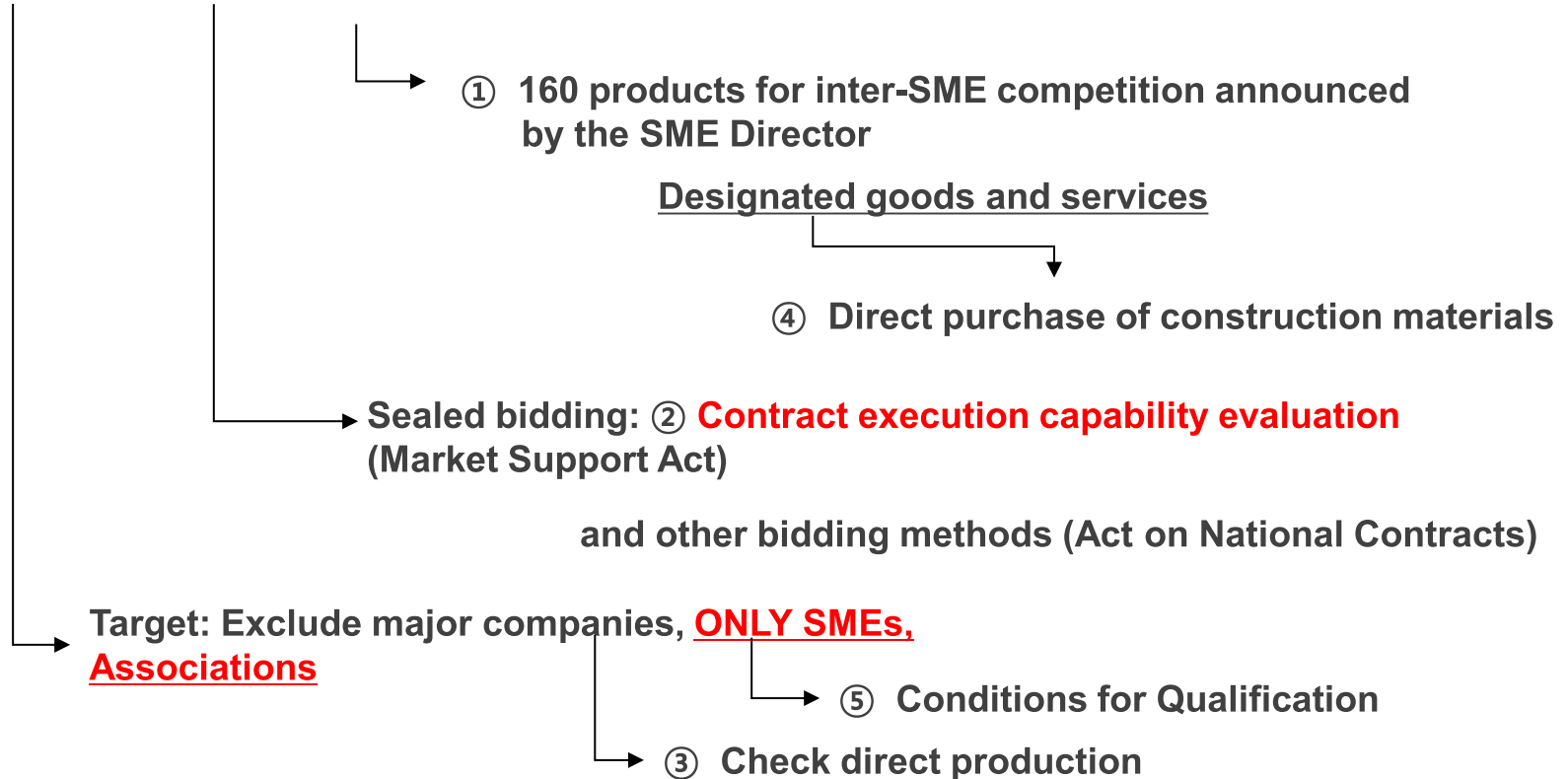
▶ Representative SME support schemes in public procurement

[Operation Mechanism of Inter-SME Competition System]



▶ Representative SME support schemes in public procurement

❖ Inter-SME Competition Products



⇒ Inter-SME Competition is

Competition (limited competition) among SMEs on designated products and deciding bidder through contract execution capability evaluation

▶ Designation procedures and requirements(1/2)

❖ Basic Requirements

- More than 10 SMEs that directly produce and deliver domestically
- Annual purchase demand of more than KRW 1 billion by public institutions

❖ Procedure for Designation



❖ Review

- Suitable for manufacturing and producing SMEs, damage to SMEs when delivering to large companies, etc.

❖ Validity: 3 years

▶ Designation procedures and requirements(2/2)

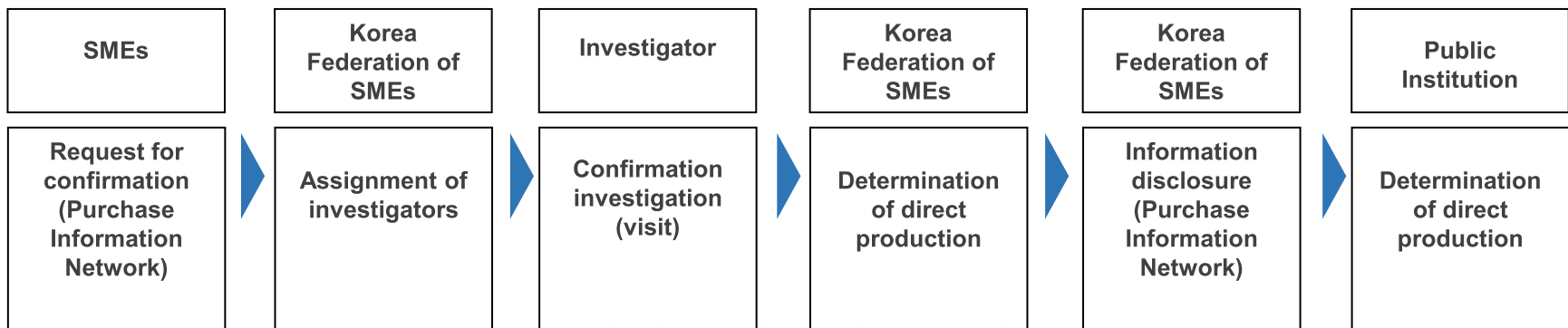
❖ Direct Production Confirmation System

- Prevent large companies from disrupting competition by delivering imported products, etc.
- Prevent delivery of subcontracted products after a private contract

❖ Direct Production Confirmation Standard

- Production facilities, essential personnel, major processes or production data, etc.
ex) production facilities for information signs: live output, cutter, welder, compressor

❖ Direct Production Confirmation Process



▶ Related policies/programs

❖ Direct Purchase of Construction Materials for Public Works

- In construction on certain basis,
- When using construction materials (120 products designated for direct purchasing) valuing over KRW 30 million
- Project owner (public institution) directly purchases construction materials and supply them to the construction company
- Prevent SMEs from becoming subcontractors such as large construction companies

❖ Target Public Works

- Integrated Construction : **More than 2 billion KRW**
- Specialized construction works, telecommunication works, fire fighting facilities construction : **More than 300 million KRW**

❖ Exception to Direct Purchase

- If there is a justifiable reason, such as the situation of demand and supply of materials

▶ Priority Purchasing Program

<Operation Mechanism of Priority Purchasing System>

[Government Policy]

Regulations and Evaluation of Public parties



▶ Priority Purchasing Program

Type of Company	Target ratio
SME	50% of Total Contract
Women	Goods 5%, Service 5%, Construction 3%
Disable	1% of Total Contract
Social value	8 % of Total Contract
Advanced Technology	15% of the purchase amount of SME products
Green product	No ratio but, submit annual objective

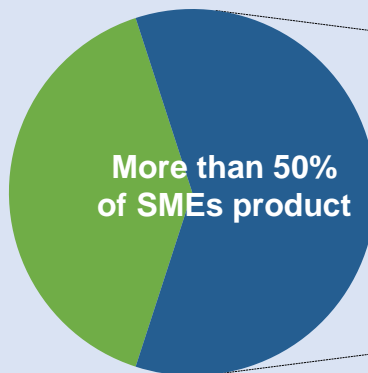


A contract with a type of business supported by government policy



Purchase of government-certificated products

<Priority Purchase for SMEs` advanced Technology>



More than 15% off goods



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식별번호 24552561 [중소기업지간경쟁제품]

우선(의무)구매대상 (0) 납품사례 (0)

원산지 대한민국 계약종류인 2026.06.22 납품기한 60일 (납품요구일로부터)

인도조건 현장설치도

공급가능지역 전지역(제주 및 도서산간지역 운임비 별도)

▶ Type of Advanced Technology products

NET (New Excellent Technology, New Technology Certificate)	Korean Agency for Technology and Standards
NEP (New Excellent Product, New Product Certificate)	
GS (Good Software, Excellent SW)	
EPC (Excellent Performance Certification)	Regional SMEs and Startups
Excellent Procurement	Public Procurement Service
Products that have been developed through conditional purchase R&D business	SMEs Department



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▶ Background of Innovation program in Public Procurement

Korea had recognized the importance of public procurement and promoted policies to establish innovation procurement system since 2019

“Innovative growth, of course, should be led by the private sector, but the government needs to play an active role in promoting it”

“To do so, we need to increase public sector demand”

* 18.5.17 President Moon Jae-in's speech in innovation growth report session

Korea Government make a new policy to support for innovative growth through
‘Innovative public procurement’

혁신지향 공공조달 방안

2019. 7. 2.

관계부처 합동

비전	
국민이 만든 혁신에 투자합니다	
4대 추진전략	10개 과제
혁신지향 구매제도 활성화	① 중소기업 기술개발제품 우선구매제도 혁신성 강화 (기재부, 중소기업, 조달청)
	② 혁신성 평가를 통한 구매 활성화 (기재부, 산업부, 인사처, 조달청)
	③ 혁신제품 구매 촉진에 의한 수익계약 대상 확대 (기재부, 조달청, 산업부)
국가 혁신조달 플랫폼 구축	④ 정보 비대칭 해소와 혁신제품 통합을 구축 (조달청, 중소기업, 과학부, 조달청 등)
	⑤ 정부와 민간 합동 혁신조달 협업체계 마련 (기재부, 조달청, 관계부처)
도관적 수요가변 혁신과제 발굴 및 속도감 있는 지원	⑥ 도관적 수요 기반의 혁신과제 발굴 및 지원 (기재부, 산업부, 과학부, 조달청 등)
	⑦ 단계적 합의에 의한 과업확정 활성화 (기재부, 조달청, 행안부)
적극 조달행정 민재-인센티브 강화	⑧ 맞춤형 R&D 지원 강화 (산업부, 과학부, 행안부, 중소기업)
	⑨ 혁신지향 조달행정 정거장과 인센티브 강화 (기재부, 인사처, 행안부, 조달청, 감사원)
	⑩ 적극 조달행정 가이드라인 마련 및 교육 (기재부, 행안부, 조달청, 독립청, 인사처)

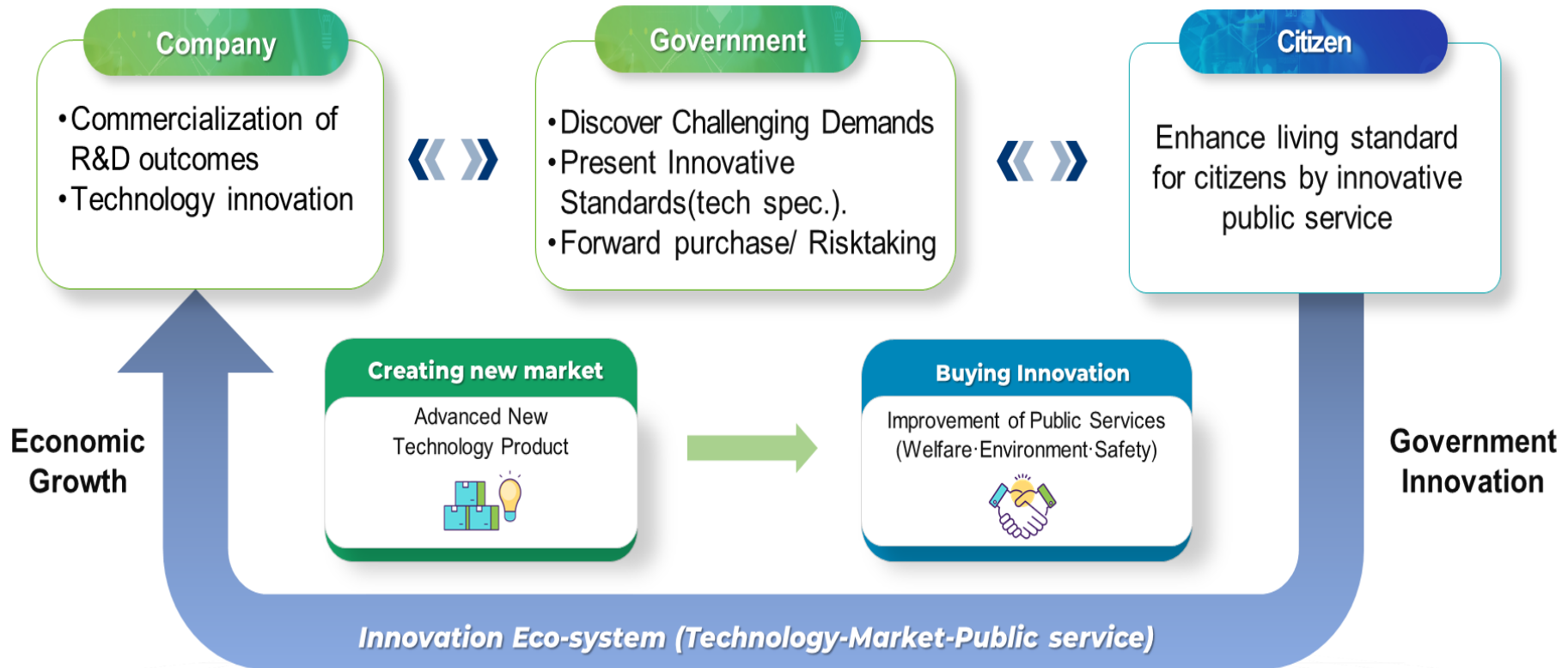
Innovation-oriented public procurement policy('19.07)

- 01 Discovering new solutions needed for the public
- 02 Voluntarily present public issues
- 03 Secure the convenience of contract
- 04 Link R&D and purchase
- 05 Quickly solve urgent national problems

▶ Framework of Innovation Policy in Public Procurement

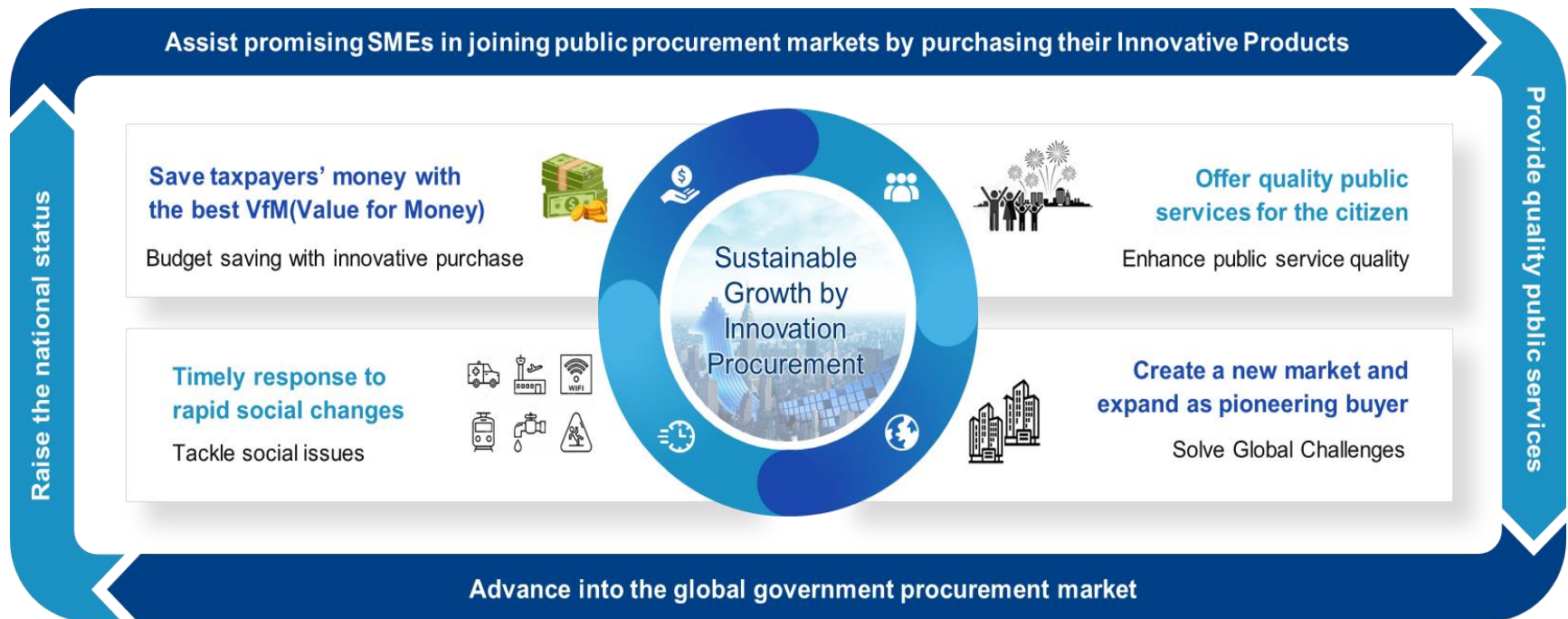
Past: Technology-push ➔ Present and Future: **Demand-pull**

“Demand” means = Social(public) problem



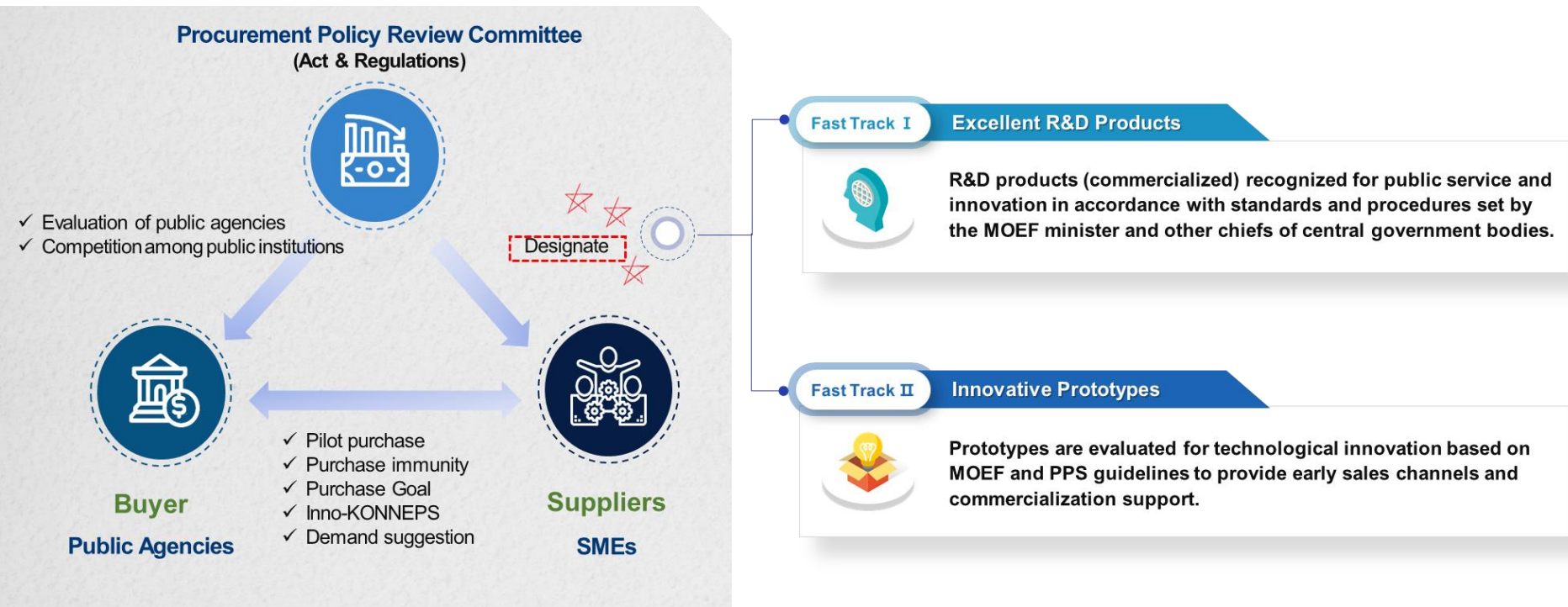
▶ The expected benefits from Innovation Procurement

Innovation Procurement was established to meet the public's expectations with the government serving as the first buyer of the Innovative Product made by SMEs, thereby lowering entry barriers to the public procurement market for them. It is also to provide innovative solutions to diverse social issues



▶ Operational Mechanism of the Program

The product designated by the Procurement Policy Review Committee for contributing to public service and technological innovation

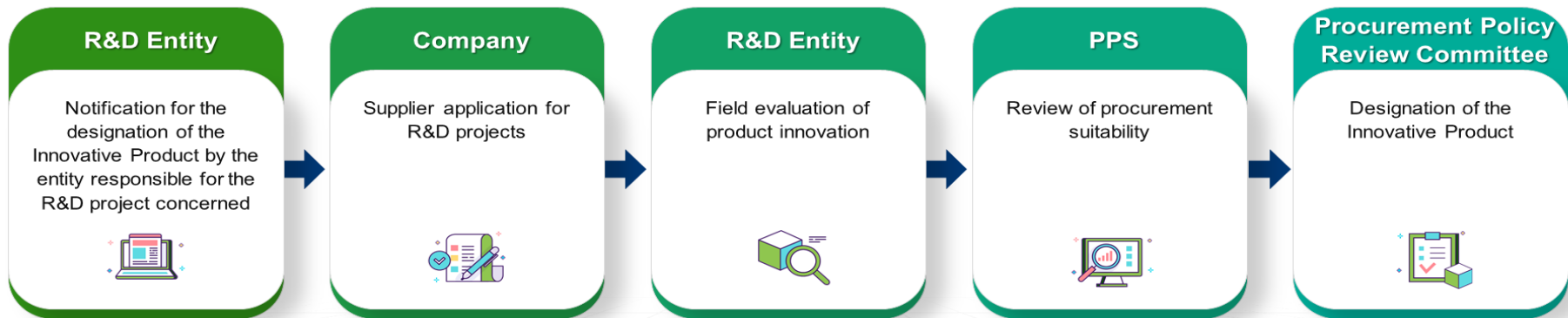


▶ Procedure for Excellent R&D Products

Fast Track I

Products designated by central administrative agencies or central administrators, recognizing their publicness and innovativeness among R&D outcomes performed by central administrative agencies

- The Ministry of Science and ICT
- The Ministry of Trade, Industry and Energy
- The Ministry of Oceans and Fisheries
- The Ministry of Land, Infrastructure and Transport
- The Ministry of SMEs and Startups and the Ministry of Environment

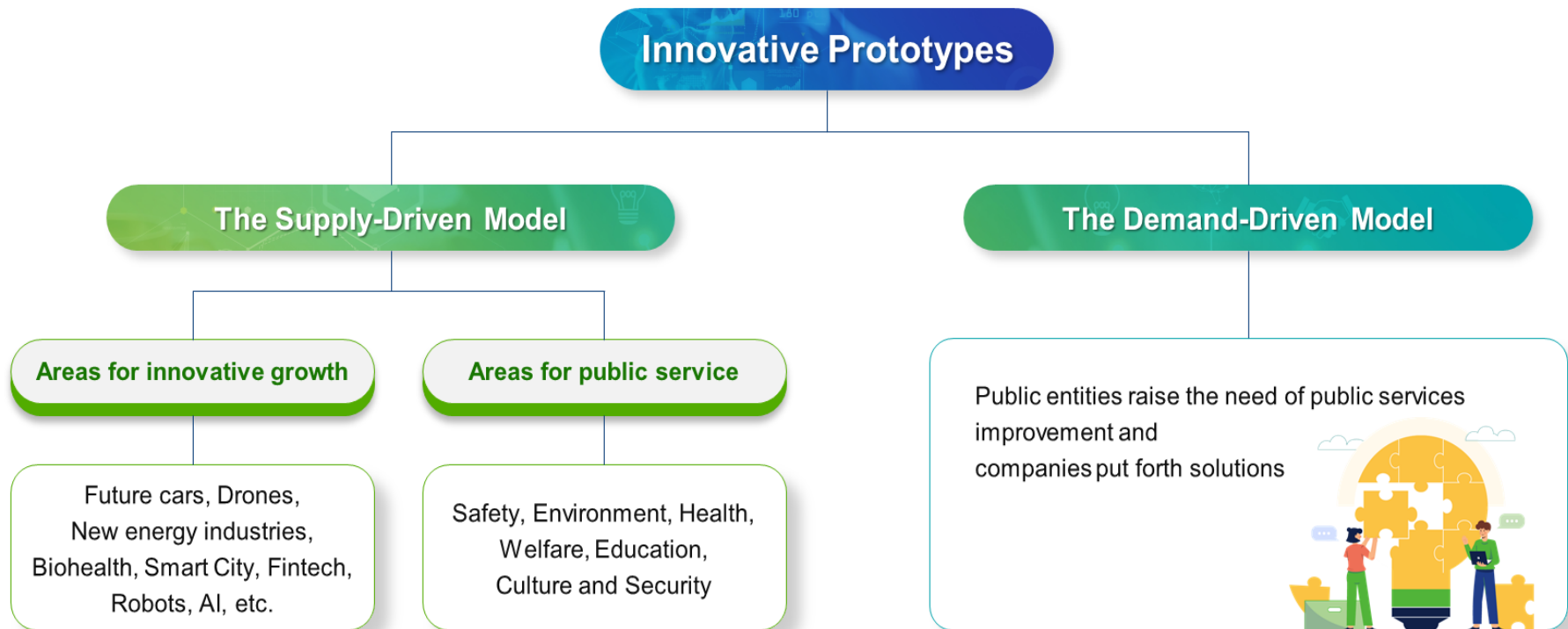


▶ Procedure for Innovative Prototypes

Fast Track II

Goods and services (above Technology Readiness Level 7), right before commercialization, designated by the PPS administrator after being evaluated for innovation and public service

- Divided into 'Demand-Driven' and 'Supply-Driven'

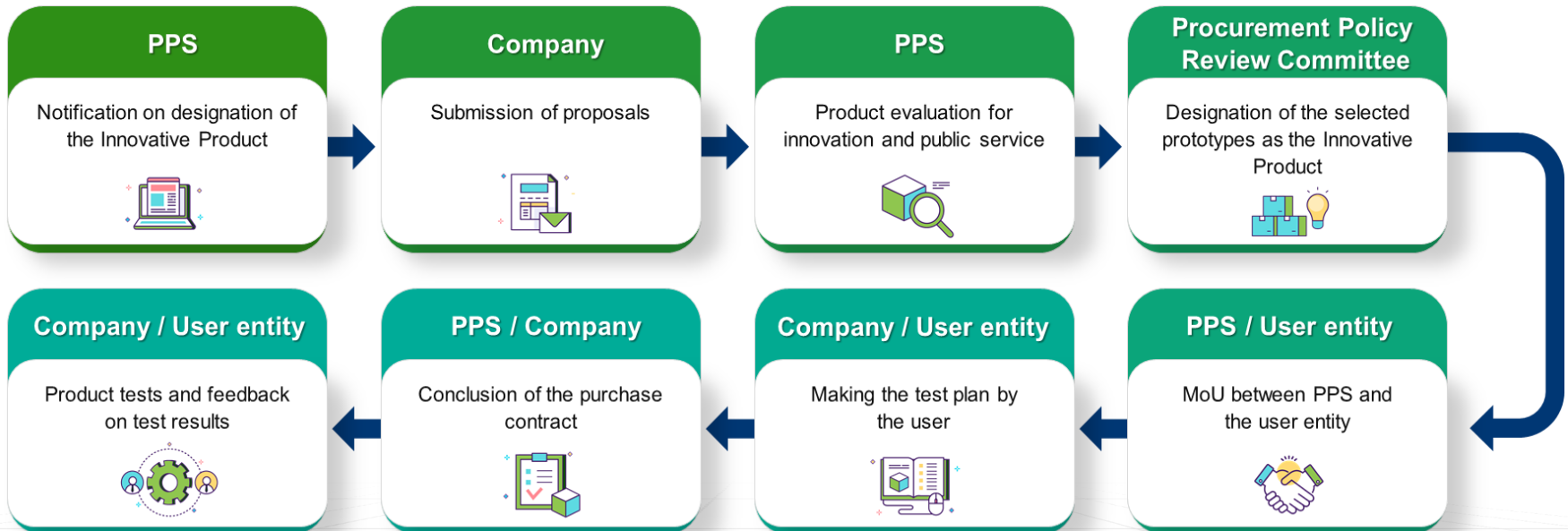


▶ The Supply-Driven Model

A company applies for the designation of the Innovative Product. When designated, its prototype is directly purchased or used in a pilot manner by a user entity

- **Supply-Driven Approach** : Notification → Product Evaluation → Designation of the selected one as the Innovative Product
→ Matching the supplier and user entities → Contracting

Fast Track II

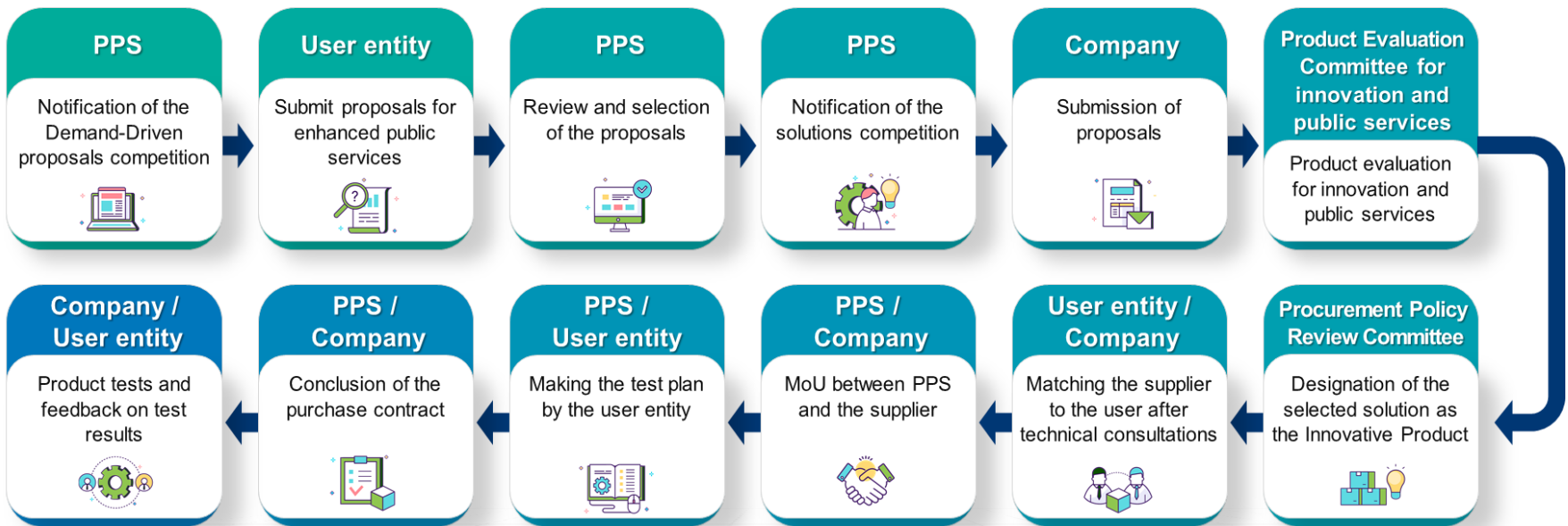


▶ The Demand-Driven Model

If public entities put forth a particular task proposal to enhance public service, the Innovative Product suited to the purpose is explored, selected and then used in a pilot manner

- **Demand-Driven Approach** : Notification of the Demand-Driven tasks competition → Evaluation → Task selection → Notification of the solutions competition → Evaluation → Designation of the selected solution as the Innovative Product → Matching the supplier to the user-entity → Contracting

Fast Track II



▶ Discovery and Development of Innovative Demand

In the execution of innovative procurement, the existing limitations lie in identifying or developing new public demands.

Public organizations are not accustomed to creating new demands, so they are collaborating with **experts** to drive this process



Procedures for developing “demands”



▶ Benefits purchasing of the Innovative Product

Pilot Purchase for Innovative Prototypes

- ✓ **"When identified as an innovative product, it can be connected to a trial purchase."**

- The total budget for pilot purchases in 2024 is approximately \$40 million



Purchase immunity

- ✓ **The purchasing officer of a user entity is not liable for any damage caused by a purchase, unless willful or gross negligence by the officer is confirmed.**

- Paragraph 4 of Article 27 of the Government Procurement Act



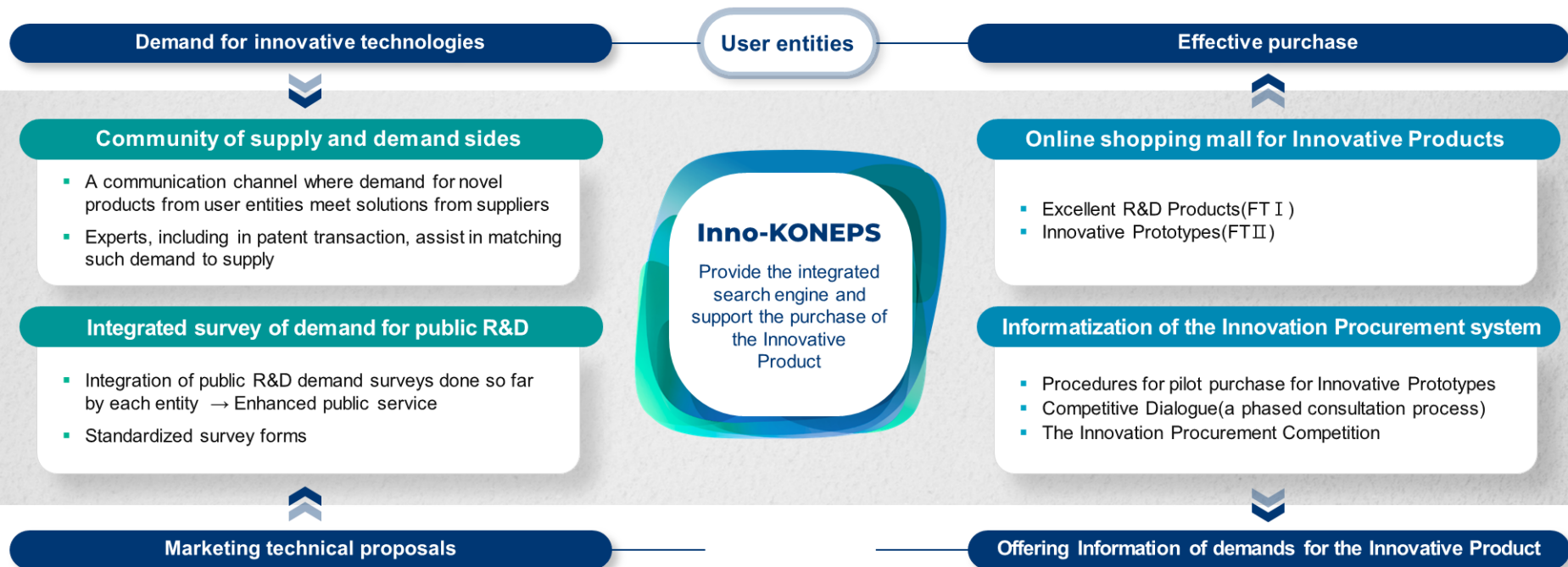
Reflect the purchase in the evaluation of public agencies

- ✓ **Around 1% of the total purchasing volume by public institutions is allocated to innovative products, and such purchases are taken into account when evaluating government agencies.**



▶ Inno-KONEPS, the Innovation Procurement Platform

A system comprehensively managing and supporting Innovation Procurement policies by creating relevant demand and expanding sales channels for manufacturers of Innovative Products
(launched in Feb. 2020)



▶ Performance analysis of Innovation procurement

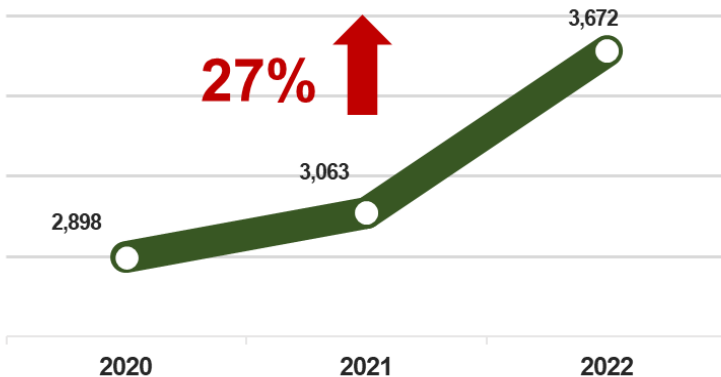
Remarkable results such as rapid sales growth of several companies were found

Quantitative effect for participating companies



Companies participating in the innovation procurement increased their **average sales by 27%** compared to 2020

(In ten thousand Won)



Survey results on satisfaction of designated companies

Classification	Score (5 Likert)	Converted score
Promotional Effects	4.3	86
Improvement of Reliability	4.4	88
Increasing Market Share of Public Procurement Market	3.9	78
Sales Growth	3.9	78
Commercialization of Technology	4.0	80
Export Promotion	3.2	64
Benefits for Designation	3.8	76
Satisfaction with Participation	4.2	84
Average	4.0	80

Source : Korea Institute of Procurement (2023)

Example Products

Dot Pad



- ✓ Provides the low vision community access to maps, diagrams, charts, and other illustrations, allowing easy access to content on the internet
- ✓ Innovate dot image processor uses AI to analyze and segment images to produce tactile graphics best suited for visually impaired users

DFG-aided AI Surveillance Camera



- ✓ Drop Free Glass(DFG) can promptly remove contaminants on the surface with fast operation speed through novel microfluidic technologies
- ✓ Drop Free Glass has a low power consumption as the flow of current is limited by a dielectric layer
- ✓ Event detection through deep learning-based video data training in various environments and conditions

Example Products

Smart Wearable Airbag for Professionals



- ✓ Active protection for falling accident/collision impact
- ✓ Internal acceleration and gyro sensors detect a fall and activate the airbag, therefore, fully inflated within less than 0.2 seconds
- ✓ Automatic power on/off button by closing/opening the buckle located in the middle

Intelligent Water Leak Management System



- ✓ A total water leak management system with AI, IoT, Cloud technology
- ✓ AI Model helps to identify whether it is leak or not with minimum help from expert
 - A tailored AI solution that collects and analyzes a wide range of sound and noise data using our own high-sensitivity acoustic IoT sensor and CNN-based sound data analysis AI model

▶ PPS's Overseas Pilot Application Program for Innovative Products

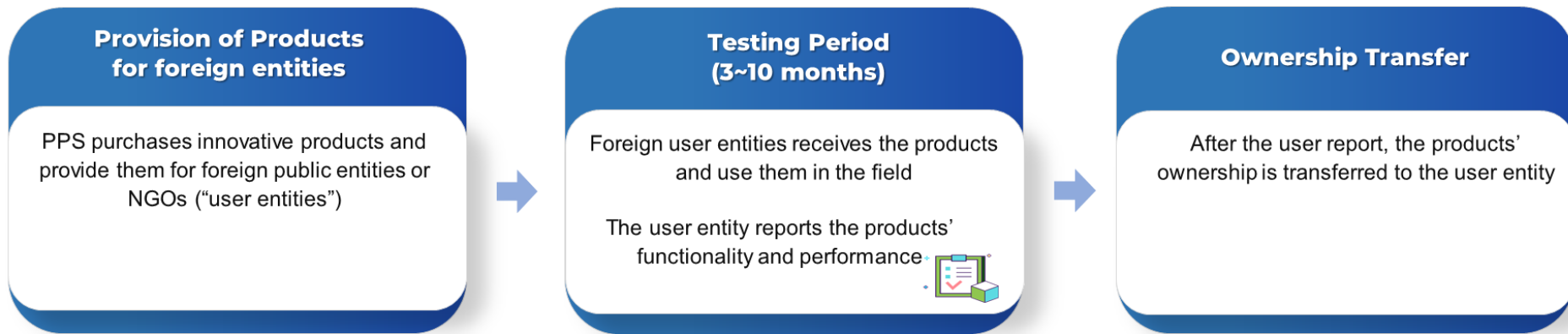
The overseas pilot application program is a type of small scale ODA program(not official term) that aims to solve public(social) problems in overseas countries together

17 countries 30 Item



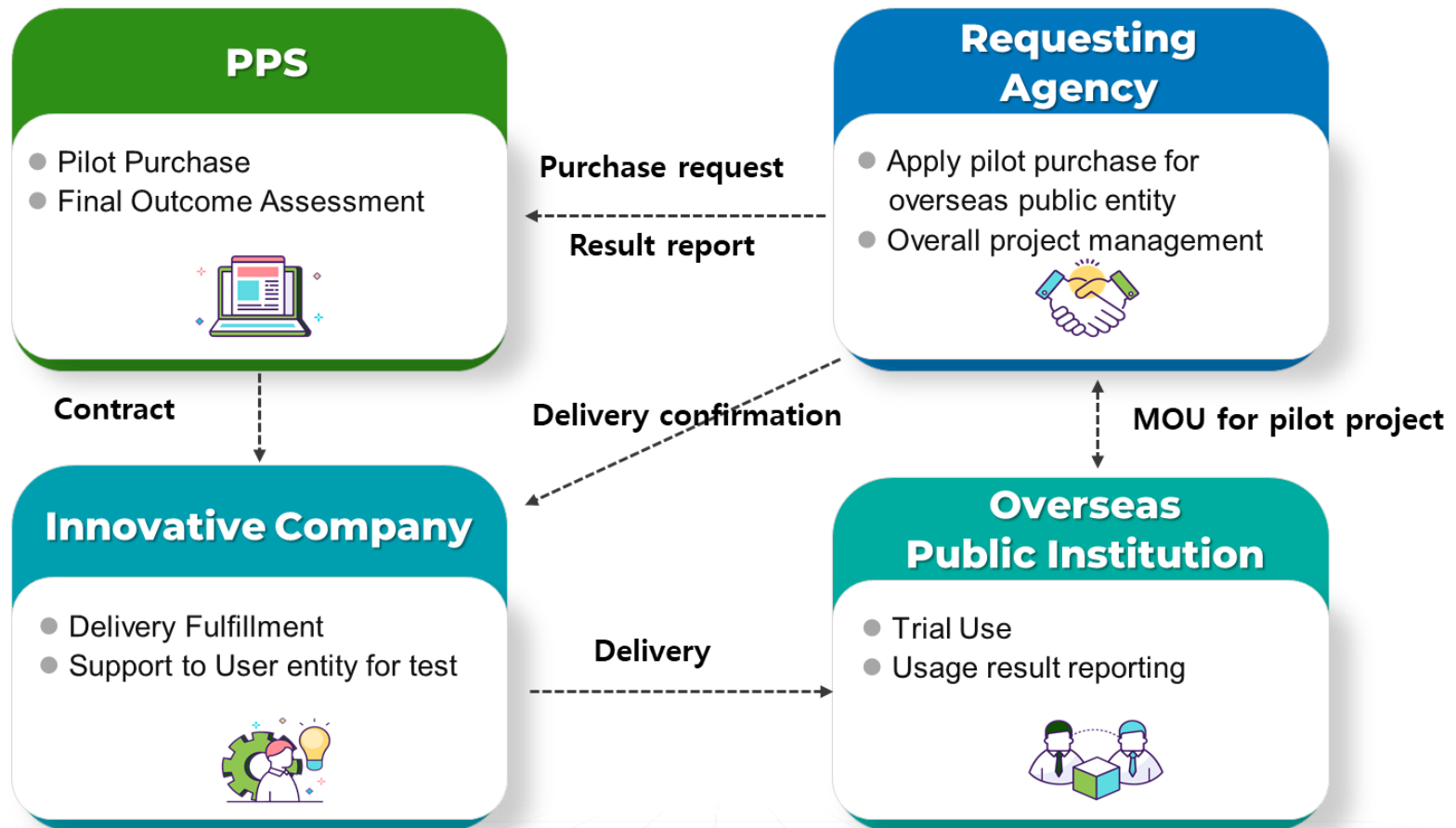
▶ PPS's Overseas Pilot Application Program for Innovative Products

PPS operates Overseas Pilot Application Program for Innovative Public Procurement Products through cooperation with foreign public entities and non-profit organizations



- Overseas pilot applications seems like **small-scale ODA**(not official term)
- Mutually beneficial cooperation
 - User entities owns innovative products cost-free
 - Developing into an ODA program(Depending on the situation and conditions)

▶ Procedure for Overseas Pilot Application Program





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