

ACT ON FACILITATION OF PURCHASE OF SMALL AND MEDIUM ENTERPRISE-MANUFACTURED PRODUCTS AND SUPPORT FOR DEVELOPMENT OF THEIR MARKETS

Act No. 9685, May 21, 2009

Amended by Act No. 9894, Dec. 30, 2009

Act No. 10228, Apr. 5, 2010

Act No. 10504, Mar. 30, 2011

Act No. 10951, Jul. 25, 2011

Act No. 11462, Jun. 1, 2012

Act No. 11690, Mar. 23, 2013

Act No. 12008, Aug. 6, 2013

Act No. 12499, Mar. 18, 2014

Act No. 13094, Jan. 28, 2015

Article 1 (Purpose)

The purpose of this Act is to contribute to the enhancement of the competitiveness of small and medium enterprises and to the management stability thereof by facilitating the purchase of small and medium enterprise-manufactured products and supporting the development of markets therefor.

Article 2 (Definitions)

The terms used in this Act shall be defined as follows: *<Amended by Act No. 10951, Jul. 25, 2011>*

1. The term "small and medium business proprietor" means any of the following persons:
 - (a) Small and medium business proprietors under Article 2 of the Framework Act on Small and Medium Enterprises;
 - (b) Small and medium enterprise cooperatives (hereinafter referred to as "cooperative") under Article 3 of the Small and Medium Enterprise Cooperatives Act;
2. The term "public institution" means any of the following institutions or corporations:
 - (a) National institutions;
 - (b) Local governments;
 - (c) Those prescribed by Presidential Decree among corporations established in accordance with Special Acts;

(d) Those prescribed by Presidential Decree among public institutions under Article 5 of the Act on the Management of Public Institutions;

3. The term "modernization of logistics" means the installation or improvement of distribution facilities for the purposes of facilitating the smooth distribution of products manufactured by small and medium business proprietors and reducing logistical costs;

4. The term "expendable material" means all kinds of indirect materials such as office supplies excluding raw materials directly used for production, or industrial materials, etc. purchased by companies to produce other products or services;

5. The term "large-scale agency business for material purchase" means agency business conducted by conglomerates under subparagraph 2 of Article 2 of the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises (hereinafter referred to as "conglomerate") or companies affiliated to conglomerates (referring to affiliated companies under subparagraph 3 of Article 2 of the Monopoly Regulation and Fair Trade Act) for other companies, etc. with regard to the purchase and management of expendable materials;

6. The term "small-medium expendable materials supply business" means business conducted by small and medium enterprise proprietors carrying out wholesale or retail business under the Korea Standard Industrial Classification for the provision of required expendable materials supplied from domestic manufacturers, etc. to companies.

Article 3 (Relationship with other Acts)

Except as otherwise expressly provided for in other Acts, this Act shall apply where the head of a public institution enters into a contract for procurement of small and medium enterprise-manufactured products or provides support for the development of markets therefor. *<Amended by Act No. 12008, Aug. 6, 2013>*

Article 4 (Increasing Purchase)

(1) When the heads of public institutions intend to conclude a contract on the procurement of goods, services or construction works (hereinafter referred to as "products"), they shall ensure that small and medium enterprises are given more opportunities to win a contract. *<Amended by Act No. 11462, Jun. 1, 2012>*

(2) With respect to goods or services (excluding competitive products among small and medium enterprises designated by the Administrator of the Small and Medium Business Administration pursuant to Article 6 (1)), the value of which is below the amount publicly notified by the Minister of Strategy and Finance pursuant to Article 4 (1) of the Act on Contracts to which the State is a Party, the heads of public institutions shall give priority to concluding a contract on procurement with small and medium enterprises, as prescribed by Presidential Decree. *<Newly Inserted by Act No. 11462, Jun. 1, 2012>*

Article 5 (Preparation of Purchase Plans and Purchase Records)

(1) The head of a public institution prescribed by Presidential Decree shall, in consideration of budget and project plans, notify the Administrator of the Small and Medium Business Administration of purchase plans for increased purchase of small and medium enterprise-manufactured products and purchase records

of the previous year. In such cases, purchase plans shall indicate target ratio of purchase of small and medium enterprise-manufactured products. *<Amended by Act No. 9894, Dec. 30, 2009>*

(2) The Administrator of the Small and Medium Enterprise Administration shall hear the opinion of the Korea Federation of Small and Medium Business under the Small and Medium Enterprise Cooperatives Act (hereinafter referred to as the "Federation") and then integrate purchase plans and purchase records under paragraph (1) and publicly announce them after undergoing deliberation thereon by State Council, in consultation with the head of each central government agency under Article 6 of the National Finance Act in the case of the State, with the Minister of Government Administration and Home Affairs in the case of local governments, and with the head of related central administrative agency in the case of other public institutions. *<Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>*

(3) For the purposes of, for example, checking the implementation of purchase plans, the Administrator of the Small and Medium Business Administration may request the head of a public institution under paragraph (1) to submit purchase records on small and medium enterprise-manufactured products and, in such cases, the head of a public institution shall comply therewith unless extenuating circumstances exist. *<Newly Inserted by Act No. 10504, Mar. 30, 2011>*

(4) Matters necessary for the notification of and requests for the submission of purchase plans and purchase records under paragraphs (1) and (3) shall be prescribed by Presidential Decree. *<Amended by Act No. 10504, Mar. 30, 2011>*

Article 6 (Designation of Competing Products among Small and Medium Business Proprietors)

(1) The Administrator of the Small and Medium Business Administration may designate any product which is directly manufactured and supplied by a small and medium business proprietor and in need of market expansion as a competing product among small and medium business proprietors (hereinafter referred to as "competing product").

(2) Where the Administrator of the Small and Medium Business Administration intends to designate competing products as prescribed in paragraph (1), he/she shall consult in advance with the heads of relevant central administrative agencies. In such cases, the Administrator of the Small and Medium Business Administration shall not designate such products as requested by the heads of relevant central administrative agencies to be excluded from designation, in the absence of extenuating circumstances.

(3) Matters necessary for the designation of competing products shall be prescribed by Presidential Decree.

Article 7 (Method of Contracting for Competing Products)

(1) The heads of public institutions shall conclude procurement contracts for competing products through restrictive competitive bidding intended only for small and medium business proprietors or designated competitive bidding among invited small and medium business proprietors (hereinafter referred to as "competitive bidding among small and medium business proprietors").

(2) In order to ensure the quality of products and the stabilization of procurement prices in competitive bidding among small and medium business proprietors, the head of each public institution shall determine

his/her contracting party after examining the capabilities of relevant small and medium business proprietors to fulfill contracts: Provided, That where necessary to enhance the efficiency of purchasing or to increase the purchasing of small and medium enterprise-manufactured products, a contracting party may be selected as prescribed by Presidential Decree.

(3) In selecting the other party to a contract under paragraph (2), the head of a public institution may accord preferential treatment to a bidding consortium which meets requirements prescribed by Presidential Decree, among bidding consortiums comprised of at least five small and medium business proprietors, in order to increase opportunities for small businesses (hereinafter referred to as "small business") under Article 2 (2) of the Framework Act on Small and Medium Enterprises and micro business owners (hereinafter referred to as "micro business owner") under Article 2 of the Act on the Protection and Support of Micro Business Owners to be jointly awarded a contract. *<Amended by Act No. 13094, Jan. 28, 2015>*

(4) The Administrator of the Small and Medium Business Administration shall determine and announce detailed standards for evaluating capabilities to fulfill contracts under the main sentence of paragraph (2) after consultation with the head of a relevant central administrative agency. In such cases, detailed standards for evaluating capabilities to fulfill contracts shall be separately determined for those prescribed by Presidential Decree, such as small and medium enterprise cooperatives.

(5) When the Administrator of the Small and Medium Business Administration determines detailed standards for evaluation prescribed in paragraph (4), he/she shall take into account the results of fulfilling contracts, technical capabilities, financial conditions, etc. of small and medium business proprietors.

Article 7-2 (Special Cases on Contracts for Procurement of Competing Products with Small Businesses and Micro Business Owners)

(1) Notwithstanding Article 7 (1), the head of a public institution may enter into a contract for procurement of goods or services designated by the Administrator of the Small and Medium Business Administration among competing products, through restricted competitive bidding only intended for small businesses or micro business owners.

(2) Notwithstanding Article 7 (1), where at least three small businesses or micro business owners have commercialized goods or services (hereinafter referred to as "goods, etc.") amounting to competing products through a joint venture prescribed by Ordinance of the Ministry of Trade, Industry and Energy (hereinafter referred to as "joint venture") with the cooperative, the head of a public institution may enter into a contract for procurement of the relevant goods according to the following relevant bidding method:

1. Restricted competitive bidding, only intended for small businesses or micro business owners that have participated in the relevant joint venture;
2. Designated competitive bidding, only intended for small businesses or micro business owners (that are able to supply the relevant goods, etc.) recommended by the cooperative at the request of the head of a public institution.

Article 8 (Eligibility for Participating in Competitive Bidding)

(1) The eligibility of small and medium business proprietors that can participate in competitive bidding among small and medium business proprietors under Article 7 (hereafter referred to as "participation eligibility" in this Article) shall be prescribed by Presidential Decree in consideration of their scales, management records, etc. *<Amended by Act No. 10504, Mar. 30, 2011>*

(2) Cooperatives that intend to participate in competitive bidding among small and medium business proprietors shall request the verification of participation eligibility from the Administrator of the Small and Medium Business Administration in accordance with the procedures determined by the Administrator of the Small and Medium Business Administration, who shall in turn verify such. *<Newly Inserted by Act No. 10504, Mar. 30, 2011>*

(3) Where a small and medium business proprietor participating in competitive bidding among small and medium business proprietors falls under any of the following, the Administrator of the Small and Medium Business Administration may revoke its participation eligibility or suspend it up to one year. Where the Administrator of the Small and Medium Business Administration revokes participation eligibility, he/she may restrict the acquisition of participation eligibility up to one year from the date of such nullification: *<Amended by Act No. 10504, Mar. 30, 2011>*

1. Where it has acquired participation eligibility by false or other unlawful means;
2. Where it has lost participation eligibility;
3. Where it has engaged in any unjust act, such as collusion, etc.;
4. Other cases determined by Presidential Decree as inappropriate for participating in competitive bidding among small and medium business proprietors.

(4) The period during which participation eligibility is suspended, and the acquisition of participation eligibility is restricted under paragraph (3) shall be prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Newly Inserted by Act No. 10504, Mar. 30, 2011; Act No. 11690, Mar. 23, 2013>*

Article 8-2 (Restrictions, etc. on Participation in Competitive Bidding among Small and Medium Business Proprietors)

(1) The head of a public institution shall restrict the participation of an operator of any of the following small or medium businesses for fair competition in competitive bidding among small and medium business proprietors: *<Amended by Act No. 12499, Mar. 18, 2014>*

1. A small or medium enterprise where a company established after division, merger after division, or physical division (hereafter referred to as "division, etc." in this Article) pursuant to Articles 530-2 and 530-12 of the Commercial Act from any of the following companies and a surviving company, operate the same kind of business:
 - (a) A conglomerate (including where a company established after division, etc., or a surviving company becomes a conglomerate within four years from the year following the year in which a division, merger after division, or physical division occurs);

(b) A small or medium enterprise deemed by the Administrator of the Small and Medium Business Administration, as divided, etc. for the purposes of maintaining eligibility to participate in competitive bidding between small and medium enterprises or expanding market share in a public procurement market;

2. A small or medium enterprise belonging to a conglomerate of large companies and companies in a dominant or subordinate relationship prescribed by Presidential Decree;

3. A small or medium enterprise that refuses to undergo an investigation under paragraph (3) by the Administrator of the Small and Medium Business Administration without justifiable grounds.

(2) Any small and medium business proprietor (excluding an association) who intends to participate in competitive bidding among small and medium business proprietors shall request the Administrator of the Small and Medium Business Administration to verify whether it is subject to restrictions on participation in competitive bidding among small and medium business proprietors in accordance with procedures prescribed and announced by the Administrator of the Small and Medium Business Administration, and the Administrator of the Small and Medium Business Administration shall verify whether his/her participation is restricted.

(3) The Administrator of the Small and Medium Business Administration may request a small and medium business proprietor who has requested verification under paragraph (2) to submit necessary data, such as the current status of assets and business conditions of the relevant small or medium business. In such cases, the small or medium business proprietor in receipt of a request to submit data shall cooperate therewith except in extenuating circumstances. *<Newly Inserted by Act No. 12499, Mar. 18, 2014>*

(4) The Administrator of the Small and Medium Business Administration may investigate whether a small and medium business proprietor has received confirmation under paragraph (2) that he/she is exempt from restrictions on participation in competitive bidding among small and medium business proprietors under paragraph (1) 1 and 2 by deception or other unlawful means. *<Amended by Act No. 12499, Mar. 18, 2014>*

(5) The same kind of business prescribed in paragraph (1) 1 shall be limited to the business of producing competitive products, and the scope of the same kind of business shall be prescribed by Presidential Decree. *<Amended by Act No. 12499, Mar. 18, 2014>*

(6) Where the Administrator of the Small and Medium Business Administration determines whether to grant approval under paragraph (1) 1 (b), he/she shall comprehensively take into account matters prescribed by Presidential Decree, including inheritance, division due to unavoidable circumstances, such as a court ruling, etc. In such cases, the Administrator of the Small and Medium Business Administration may hear opinions of the relevant public officials, experts, or other persons. *<Amended by Act No. 12499, Mar. 18, 2014>*

(7) Matters necessary, such as procedures and methods, to determine as to whether to grant approval under paragraph (6), shall be prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Amended by Act No. 11690, Mar. 23, 2013; Act No. 12499, Mar. 18, 2014>*

Article 9 (Verification, etc. of Direct Production)

(1) Where intending to conclude a product procurement contract by means of competition among small and medium business proprietors or to conclude a product procurement contract, the amount of which is not less than that prescribed by Presidential Decree in any of the following cases, the head of a public institution shall verify the direct production by relevant small and medium business proprietors: Provided, That this shall not apply where the Administrator of the Small and Medium Business Administration has issued a document verifying the direct production pursuant to paragraph (4):

1. Cases prescribed by Presidential Decree where a contract is concluded by means of a private contract for competing products in accordance with the proviso to Article 7 of the Act on Contracts to which the State is a Party or the proviso to Article 9 (1) of the Act on Contracts to which a Local Government is a Party;
2. Other cases where a contract on competing products is concluded with a person prescribed by Presidential Decree by means of a private contract.

(2) The Administrator of the Small and Medium Business Administration shall determine the standards for verifying direct production under paragraph (1), such as standards for production facilities, and publicly announce them, as prescribed by Presidential Decree.

(3) The head of a public institution or a small and medium business proprietor that intends to supply its product to public institutions may, where necessary, request the verification of direct production on relevant products from the Administrator of the Small and Medium Business Administration.

(4) In receipt of a request under paragraph (3), the Administrator of the Small and Medium Business Administration shall verify direct production and notify relevant small and medium business proprietor of the results thereof, and may issue a small and medium business proprietor who is verified for direct production with a document that verifies such fact (hereinafter referred to as "direct production verification certificate") with the term of validity indicated: Provided, That the verification of direct production may be postponed where an investigation on relevant small and medium business proprietor is being conducted on the grounds referred to in each subparagraph of Article 11 (2).

(5) Where a small and medium business proprietor issued with a direct production verification certificate pursuant to paragraph (4) falls under any of the following cases, it shall request the verification of direct production again, as prescribed by Ordinance of the Ministry of Trade, Industry and Energy: <Newly Inserted by Act No. 10504, Mar. 30, 2011; Act No. 11690, Mar. 23, 2013>

1. Where the representative of an individual business person (excluding comprehensive transfer or acquisition) is changed;
2. Where a factory verified for direct production pursuant to paragraph (4) is relocated;
3. Where the relevant business is transferred, acquired or merged (excluding comprehensive transfer or acquisition);
4. Other cases recognized as necessary by the Administrator of the Small and Medium Business Administration.

(6) Where a small and medium business proprietor issued with a direct production verification certificate pursuant to paragraph (4) falls under any of the following cases, it shall be re-issued with a direct production verification certificate: *<Newly Inserted by Act No. 10504, Mar. 30, 2011>*

1. Where the company name is changed;
2. Where the representative of a corporation is changed;
3. Where a business carried out is comprehensively transferred or acquired.

(7) Matters necessary for the verification procedures for direct production, the term of validity and issuance of direct production verification certificates and other matters shall be prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Amended by Act No. 10504, Mar. 30, 2011; Act No. 11690, Mar. 23, 2013>*

Article 10 (Raising Objection against Confirmation of Direct Manufacturing, etc.)

(1) Where any person who has been notified of the result of confirmation of direct manufacturing as prescribed in Article 9 (4) is dissatisfied with such result, he/she may raise an objection to the Administrator of the Small and Medium Business Administration in writing or by an electronic document within ten days from the date of receiving such notification.

(2) The Administrator of the Small and Medium Business Administration shall notify the applicant of the result of examination of an objection raised under paragraph (1) within ten days from the date when he/she receives the objection.

(3) Necessary matters concerning the procedures for raising an objection, decision on objection, etc. shall be prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Amended by Act No. 11690, Mar. 23, 2013>*

Article 11 (Nullification, etc. of Direct Production Verification)

(1) The Administrator of the Small and Medium Business Administration may investigate compliance with the prerequisites for verification of direct production and the implementation of direct production in regard to a small and medium business proprietor verified for direct production pursuant to Article 9 (4).

(2) When a small and medium business proprietor is found to fall under any of the following in an inspection under paragraph (1), the Administrator of the Small and Medium Business Administration shall rescind verification of direct production such small and medium business proprietor has received: *<Amended by Act No. 10504, Mar. 30, 2011; Act No. 13094, Jan. 28, 2015>*

1. Where he/she has obtained verification of direct production by deception or other fraudulent means;
2. Where he/she ceases to comply with the prerequisites for verification under Article 9 (2) due to the lease, sales, etc. of its production facilities;
3. Where he/she supplies products he/she has not directly produced, such as products produced by a subcontractor under subcontract or finished goods purchased from another company, or supplies finished goods he/she has directly produced, upon which he/she has attached a trademark of another company on such finished goods, after entering into a supply contract with the head of a public institution;

4. Where it has refused an investigation for verifying compliance with the prerequisites for verification and implementation of direct production without justifiable grounds;

5. Where it falls under any subparagraph of Article 9 (5).

(3) The Administrator of the Small and Medium Business Administration shall revoke the verification of direct production of all products for relevant small and medium business proprietor in cases falling under paragraph (2) 1, 3, and 4 and revoke the verification of direct production of relevant products in cases falling under subparagraphs 2 and 5 of the same paragraph. *<Amended by Act No. 10504, Mar. 30, 2011>*

(4) Where a small and medium business proprietor verified for direct production ceases to comply with the prerequisites for verification of direct production, it shall return the direct production verification certificate on relevant products, as prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Amended by Act No. 10504, Mar. 30, 2011; Act No. 11690, Mar. 23, 2013>*

(5) A small and medium business proprietor falling under any subparagraph of paragraph (2) cannot request the verification of direct production from the date on which its verification of direct production is revoked, and the target products and period shall be as specified in the following classification. In such cases, a person for whom the effective term of a direct production verification certificate has expired is restricted from requesting the verification of direct production, from the date of verifying the person falls under the grounds for the nullification. *<Amended by Act No. 10504, Mar. 30, 2011; Act No. 11690, Mar. 23, 2013>*

1. In cases falling under paragraph (2) 1: One year for all products;

2. In cases falling under paragraph (2) 2, where it has participated in competitive bidding among small and medium business proprietors or failed to return its direct production verification certificate within the period prescribed by Ordinance of the Ministry of Trade, Industry and Energy: Six months for products for which the verification of direct production is revoked;

3. In cases falling under paragraph (2) 3 and 4: Six months for all products;

4. In cases falling under paragraph (2) 5, where it has failed to re-apply for verification of direct production within the period prescribed by Ordinance of the Ministry of Trade, Industry and Energy: Up to three months for products for which the verification of direct production is revoked.

(6) When the verification of direct production is revoked for a small and medium business proprietor with which a procurement contract has been concluded, the head of a public institution shall fully or partially rescind or cancel the contract concluded with such small and medium business proprietor: Provided, That this shall not apply where it is impossible to change the other party to the contract due to extraordinary grounds such as the nature of contracted products, progress in implementing the contract, or purchase schedule.

(7) Procedures necessary for revoking the verification of direct production under paragraph (2) and other matters, shall be prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Amended by Act No. 11690, Mar. 23, 2013>*

(8) Where the Administrator of the Small and Medium Business Administration intends to revoke verification of direct production pursuant to paragraph (2), he/she shall hold a hearing.

Article 12 (Increase in Direct Purchase of Construction Materials)

(1) The Administrator of the Small and Medium Business Administration may take measures aimed at increasing the purchase of construction materials designated as competing products.

(2) In consultation with the heads of relevant central administrative agencies, the Administrator of the Small and Medium Business Administration shall select products necessary for construction works for which any public institution has placed an order, and which are deemed suitable for the public institution's direct purchase and supply, to the extent not impairing the quality and efficiency of the construction work, and announce such items. *<Amended by Act No. 10504, Mar. 30, 2011>*

(3) The head of a public institution who intends to place an order for the construction work in scale equivalent to or larger than the one prescribed by Presidential Decree shall examine whether to directly purchase the products announced by the Administrator of the Small and Medium Business Administration under paragraph (2), and take measures necessary for directly purchasing such items: Provided, That the foregoing shall not apply where the Administrator of the Small and Medium Business Administration has announced that direct purchase cannot be executed for a certain reason after consultation with the heads of relevant central administrative agencies. *<Amended by Act No. 10504, Mar. 30, 2011>*

Article 13 (Preferential Purchase of Products Manufactured with Technology Developed by Small and Medium Business Proprietors, etc.)

(1) In order to create demand for products manufactured with technology developed by small and medium business proprietors, the Government shall establish necessary supporting policies, such as preferential purchase of such products. *<Amended by Act No. 10504, Mar. 30, 2011>*

(2) The Administrator of the Small and Medium Business Administration or the head of any relevant central administrative agency may request public institutions or such other persons as prescribed by Presidential Decree to take necessary measures, such as preferential purchase, in order to increase purchase of products manufactured with technology developed by small and medium business proprietors.

(3) Any public institution requested as prescribed in paragraph (2) may take such measures as preferential purchase of the products as requested.

Article 14 (Designation, etc. of Products Manufactured with Technology Developed by Small and Medium Business Proprietors Subject to Preferential Purchase)

(1) The Administrator of the Small and Medium Business Administration shall designate and announce products manufactured with technology developed by small and medium business proprietors which meet the specific requirements prescribed by Presidential Decree, such as products the performance of which has been certified (hereinafter referred to as "products manufactured with technology developed by small and medium business proprietors subject to preferential purchase"). *<Amended by Act No. 9894, Dec. 30, 2009>*

(2) The Administrator of the Small and Medium Business Administration shall publicize products manufactured with technology developed by small and medium business proprietors subject to preferential purchase, which are announced under paragraph (1), to public institutions under subparagraph 2 of Article 2. <Newly Inserted by Act No. 9894, Dec. 30, 2009>

(3) No person in charge of purchase at a public institution which has concluded a contract to purchase products manufactured with technology developed by small and medium business proprietors shall be responsible for any loss incurred from the purchase of such products unless his/her intent or gross negligence is proved. <Amended by Act No. 9894, Dec. 30, 2009; Act No. 10504, Mar. 30, 2011>

Article 15 (Performance Certification of Products of Small and Medium Enterprises)

(1) The Administrator of the Small and Medium Business Administration may grant performance certification for products manufactured with technology developed by small and medium business proprietors and prescribed by Ordinance of the Ministry of Trade, Industry and Energy. <Amended by Act No. 10504, Mar. 30, 2011; Act No. 11690, Mar. 23, 2013>

(2) Any small and medium enterprise purporting to obtain performance certification under paragraph (1) shall apply for performance certification to the Administrator of the Small and Medium Business Administration.

(3) Where the Administrator of the Small and Medium Business Administration is requested for the performance certification under paragraph (2), he/she shall inspect suitability to verify the distinction of performance of products, inspect factories, conduct a performance test on products, and grant performance certification if such products conform to the standards for performance certification. <Amended by Act No. 10504, Mar. 30, 2011>

(4) The Administrator of the Small and Medium Business Administration may allow small and medium enterprises that have obtained performance certification under paragraph (3) to use marks prescribed by Ordinance of the Ministry of Trade, Industry and Energy on their certified products or packages, containers, and promotional materials, etc. <Amended by Act No. 11690, Mar. 23, 2013>

(5) No person who has not obtained performance certification under paragraph (3) shall use marks under paragraph (4).

(6) The Administrator of the Small and Medium Business Administration may authorize any corporation or organization, the main duty of which is to inspect conditions for manufacturing products or inspect the quality of products and which is designated by the Administrator of the Small and Medium Business Administration (hereinafter referred to as "testing institute"), or testing agency under the jurisdiction of a national institution, to vicariously perform the duty of inspecting factories and examining products under paragraph (3). <Amended by Act No. 10504, Mar. 30, 2011>

(7) Where the Administrator of the Small and Medium Business Administration or a testing institute grants performance certification, it may collect money to cover expenses incurred in inspecting factories, conducting a performance test on products, and maintaining and managing performance certification, as prescribed by Presidential Decree. <Amended by Act No. 10504, Mar. 30, 2011>

(8) Procedures and standards for performance certification, standards and procedures for designating testing institutes, and other necessary matters shall be prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Amended by Act No. 11690, Mar. 23, 2013>*

Article 16 (Effective Term of Performance Certification)

The effective term of performance certification under Article 15 (1) shall be three years from the date of the receipt of the performance certification: Provided, That the Administrator of the Small and Medium Business Administration may extend such effective term up to three years if it is necessary for the commercialization, etc. of products.

Article 17 (Nullification, etc. of Performance Certification)

(1) Where any small and medium enterprise that has obtained performance certification as prescribed in Article 15 (hereinafter referred to as "certified enterprise") falls under any of the following subparagraphs, the Administrator of the Small and Medium Business Administration may revoke the certification: Provided, That he/she must revoke such certification if it falls under subparagraph 1:

1. Where it has obtained performance certification by fraudulent or other unjust means;
2. Where it has ceased to meet the standards for performance certification under Article 15 (8).

(2) Where a testing institute falls under any of the following subparagraphs, the Administrator of the Small and Medium Business Administration may revoke designation under Article 15 (6) or order suspension of, or restrictions on, its business for up to six months: Provided, That where it falls under subparagraph 1 or 2, he/she shall revoke such designation:

1. Where it has obtained designation by fraudulent or other unjust means;
2. Where it has granted performance certification during the period of business suspension;
3. Where it has ceased to meet the standards for designation under Article 15 (8);
4. Where it has refused performance certification business without a justifiable reason.

(3) Where the Administrator of the Small and Medium Business Administration intends to make a disposition under paragraph (1) or (2), he/she may require any certified enterprise or testing institute to present itself at the designated time and place to state its opinion or to submit documents.

(4) Where any certified enterprise falls under any of the following cases, it shall apply for the re-issuance of a written certification. In such cases, where it falls under subparagraph 2 or 3, its factories and products may undergo an inspection or a performance test, respectively, pursuant to Article 15 (3): *<Amended by Act No. 10504, Mar. 30, 2011>*

1. Where its trade name or representative has been changed;
2. Where its factory having received an inspection in accordance with Article 15 (3) has been relocated;
3. Where transfer or assignment of its business, or merger with other companies has occurred;
4. Where the Administrator of the Small and Medium Business Administration deems as necessary, such as the loss, destruction, etc. of a written certification.

Article 18 (Operation of Performance Insurance)

(1) Any person who falls under any of the following cases may conduct a business aimed at securing damages suffered by a public institution due to the purchase of products under Article 14 (1) (hereinafter referred to as "performance insurance business"): *<Amended by Act No. 10228, Apr. 5, 2010>*

1. A person conducting an insurance business under subparagraph 1 of Article 2 of the Insurance Business Act;
2. The Korea Export Insurance Corporation under Article 37 of the Trade Insurance Act;
3. Other persons allowed to conduct an insurance business under other statutes.

(2) If any person conducting a performance insurance business under paragraph (1) (hereinafter referred to as "performance insurance carrier") acknowledges it necessary for the operation of his/her business, he/she may request an agency or organization prescribed by Ordinance of the Ministry of Trade, Industry and Energy, including testing institutes, etc. to supply necessary data. In such cases, the agency or organization so requested shall comply with such request in the absence of extenuating circumstances. *<Amended by Act No. 11690, Mar. 23, 2013>*

(3) Where the Government subsidizes funds required for conducting a performance insurance business as prescribed in Article 19, the scope of coverage of such performance insurance business shall be prescribed by Presidential Decree, and matters concerning its operation and other necessary matters shall be determined and publicly announced by the Administrator of the Small and Medium Business Administration. *<Amended by Act No. 10504, Mar. 30, 2011>*

Article 19 (Assistance to Performance Certification and Performance Insurance Business)

(1) Where a small and medium business proprietor undergoes an examination on its factories or a performance test on its products conducted by a testing institute or a testing agency under the jurisdiction of a national institution pursuant to Article 15 (6), the Government may subsidize expenses incurred therein and expenses incurred in conducting a performance insurance business under Article 18 within budgetary limits. *<Amended by Act No. 10504, Mar. 30, 2011>*

(2) Matters necessary for the payment procedures, use, management, etc. of subsidies under paragraph (1) shall be prescribed by Presidential Decree. *<Amended by Act No. 10504, Mar. 30, 2011>*

Article 20 (Assistance in Cost Accounting of Products Manufactured with Technology Developed by Small and Medium Business Proprietors subject to Preferential Purchase, etc.)

(1) In order to assist the heads of public institutions in purchasing products manufactured with technology developed by small and medium business proprietors at a reasonable price, the Administrator of the Small and Medium Business Administration may provide subsidies for part of the expenses for cost accounting of products manufactured with technology developed by small and medium business proprietors subject to preferential purchase, within budgetary limits, at the request of small and medium enterprises.

(2) Matters necessary for subsidization under paragraph (1) shall be prescribed by Presidential Decree.

(3) The Administrator of the Small and Medium Business Administration may take necessary measures to ensure that the results of cost accounting of products manufactured with technology developed by small and medium business proprietors subject to preferential purchase are reflected in the public institutions'

purchase of products manufactured with technology developed by small and medium business proprietors.
(4) The heads of public institutions may utilize the results of cost accounting determined under paragraph (1) when he/she calculates the estimated price.

Article 21 (Designation, etc. of Public Procurement Assistance Manager)

(1) In order to promote the purchase of products of small and medium enterprises, such as the implementation of purchase plans under Article 5 (2), and assist with efficient purchase by public institutions, the Administrator of the Small and Medium Business Administration shall designate public officials under his/her jurisdiction or persons in charge of business related to small and medium enterprises recommended by the heads of public institutions, etc. as a public procurement assistance manager. In such cases, the duty of, and requirements for, a public procurement assistance manager shall be prescribed by Presidential Decree. *<Amended by Act No. 9894, Dec. 30, 2009>*

(2) The public procurement assistance manager designated in accordance with paragraph (1) shall examine the propriety of the purchase of products of small and medium enterprises, such as plans for ordering products, results of purchase, etc. of the relevant public institution, and report them to the Administrator of the Small and Medium Business Administration, who may advise the head of such public institution to improve the same.

(3) The head of a public institution advised pursuant to paragraph (2) shall suspend the bidding process on the date he/she is advised and notify the Administrator of the Small and Medium Business Administration of the result thereof within 15 days. *<Amended by Act No. 12499, Mar. 18, 2014>*

(4) Where the head of a public institution fails to comply with advice without special circumstances prescribed by Presidential Decree, the Administrator of the Small and Medium Business Administration may order him/her to suspend the relevant bidding process by fixing a period for one month from the date of receiving the notification of the result thereof, or from the expiration date of the notification period: Provided, That where the head of a public institution complies with advice during a period of suspension of the bidding process, the Administrator of the Small and Medium Business Administration shall cancel the suspension of the relevant bidding process. *<Newly Inserted by Act No. 12499, Mar. 18, 2014>*

(5) The Administrator of the Small and Medium Business Administration shall gather the findings as to whether advice is adhered to, and officially announce them following deliberation by the State Council under Article 5 (2). *<Amended by Act No. 12499, Mar. 18, 2014>*

(6) The Administrator of the Small and Medium Business Administration may evaluate the results of purchasing products of small and medium enterprises, etc. by public institutions, and take necessary measures, such as awarding the best performing public institutions in public procurement and persons who have rendered distinguished service for public procurement. *<Amended by Act No. 9894, Dec. 30, 2009; Act No. 12499, Mar. 18, 2014>*

(7) In respect of public institutions whose purchase ratio of products of small and medium enterprises is lower than the ratio set out in the latter part of Article 5 (1), the Administrator of the Small and Medium Business Administration may investigate the reasons therefor and take necessary measures for increasing

the purchase of such products. <Newly Inserted by Act No. 9894, Dec. 30, 2009; Act No. 12499, Mar. 18, 2014>

Article 22 (Protection of Small and Medium Subcontractors)

Where any business operator who has concluded a contract for the supply or delivery (hereafter in this Article referred to as "supply") of products of not less than a price amount prescribed by Presidential Decree to a public institution after manufacture, repair, or construction thereof (hereinafter referred to as "prime contractor") has entrusted all or part of the supply contract to a small and medium business proprietor, the head of a public institution under Article 5 (1) shall notify the relevant administrative agencies of such violation when he/she discovers that the prime contractor has violated any of the following provisions:

1. Provisions of Articles 3, 4 through 12, 12-2, 13, 13-2, 15, 16, 16-2 and 17 through 20 of the Fair Transactions in Subcontracting Act;
2. Provisions of Articles 34 and 36 through 38 of the Framework Act on the Construction Industry;
3. Article 12 (1) of the Electrical Construction Business Act.

Article 23 (Quality Assurance, etc. by Small and Medium Business Proprietors)

(1) Where any small and medium business proprietor supplies products to a public institution, it shall assure such institution of product quality as requested by such institution.

(2) Where any small and medium business proprietor violates the duty to assure the quality of products as prescribed in paragraph (1) with regard to competing products, or fails to execute the relevant contract, or fails to fulfill the requirements presented by a public institution, the public institution may restrict such small and medium business proprietor from concluding a contract with the public institution for not less than one month but not more than two years. In such cases, the public institution shall notify the Administrator of the Small and Medium Business Administration thereof.

Article 24 (Assistance to Business for Securing Raw Materials and Improvement of Quality)

The Administrator of the Small and Medium Business Administration or the head of a central administrative agency in charge of cooperatives may take necessary measures, such as assisting business conducted by cooperatives for their members' securing raw materials, improving quality, developing technology, and finding markets, etc.

Article 25 (Provision of Information on Small and Medium Business Proprietors, etc.)

(1) In order to enhance the efficiency of procurement by public institutions, the Administrator of the Small and Medium Business Administration shall collect and provide public institutions and small and medium business proprietors with information prescribed by Presidential Decree, such as whether any person is classified as a small and medium business proprietor, information on the capabilities of small and medium business proprietors to manufacture and supply products, and information on the contract performance, etc., and information on the purchase plans of and placement of orders by public institutions, bidding, successful bidding, etc.

(2) In order to collect and provide information under paragraph (1), the Administrator of the Small and Medium Business Administration shall construct and operate a comprehensive information network for

public procurement of products of small and medium business proprietors (hereinafter referred to as "purchase information network"), and may require the heads of public institutions, credit information companies engaging in business defined in Article 4 (1) 1 or 4 of the Use and Protection of Credit Information Act, and small and medium business proprietors who wish to register on the purchase information network, to provide necessary information, connection of their own information network with the purchase information network, or cooperation, etc. In such cases, those who have been requested by the Administrator of the Small and Medium Business Administration shall provide information as requested, unless there is any special reason relating to the protection of personal information, security of information, etc.

Article 26 (Support Projects for Development of Markets)

(1) The Administrator of the Small and Medium Business Administration may perform the following projects to assist small and medium enterprises in finding domestic and overseas markets and securing a client base:

1. Projects for creating distribution networks for products of small and medium enterprises, and supporting publicity, sale or post management thereof;
2. Projects for supporting small and medium enterprises' holding exhibitions and expositions in Korea and abroad, or participation therein;
3. Projects for building and operating information networks for arranging transactions in Korea and abroad and for the publicity of products;
4. Projects for supporting small and medium enterprises for the improvement of their marketing capabilities in Korea and abroad;
5. Projects for supporting small and medium enterprises' entry into the overseas procurement and distribution markets;
6. Projects for supporting the small and medium enterprises' dispatch of overseas market development teams and securing of bridgeheads for their overseas expansion;
7. Projects for supporting with interpretation, translation and consultancy for the overseas expansion of small and medium enterprises;
8. Other projects recognized as necessary for the expansion of trade infrastructure and development of markets for small and medium enterprises.

(2) Where the Administrator of the Small and Medium Business Administration acknowledges it necessary for the implementation of projects for supporting the development of domestic and overseas markets, he/she may entrust agencies or organizations prescribed by Presidential Decree with such projects, or require them to provide cooperation, such as provision of relevant data and information and research of domestic and overseas markets.

(3) Where the Administrator of the Small and Medium Business Administration entrusts projects as prescribed in paragraph (2), he/she may subsidize all or part of the expenses incurred in implementing such projects by the entrusted organizations.

(4) Where the Administrator of the Small and Medium Business Administration acknowledges it necessary to strengthen the competitiveness of small and medium enterprises, he/she may conduct projects for supporting the development of domestic and overseas markets jointly with the Special Metropolitan City Mayor, any Metropolitan City Mayor, Do Governor, and the Governor of a Special Self-Governing Province (hereinafter referred to as "Mayor/Do Governor") every year.

**Article 26-2 (Opening, etc. of Outlets for Exclusive Sale of Small and Medium Enterprise-
Manufactured Products)**

(1) The Administrator of the Small and Medium Business Administration may open and operate outlets for the exclusive sale of small and medium enterprise-manufactured products, to facilitate sale of, and expand markets for, such products.

(2) Where the Administrator of the Small and Medium Business Administration opens an outlet for the exclusive sale of small and medium enterprise-manufactured products pursuant to paragraph (1), he/she may request a public institution that has a facility or space meeting standards established by Ordinance of the Ministry of Trade, Industry, and Energy, such as the location and conditions, and sales room, to provide a necessary facility or space; the public institution upon receipt of such request shall provide cooperation therein, except in extenuating circumstances.

(3) The Administrator of the Small and Medium Business Administration may entrust affairs concerning the opening and operation of outlets for the exclusive sale of small and medium enterprise-manufactured products, to a company selling small and medium enterprise-manufactured products established pursuant to Article 69 of the Small and Medium Enterprises Promotion Act or to an institution prescribed by Presidential Decree.

(4) The Administrator of the Small and Medium Business Administration may subsidize expenses incurred in opening and operating an outlet for the exclusive sale of small and medium enterprise-manufactured products, to a company selling small and medium enterprise-manufactured products or to an institution entrusted with affairs under paragraph (3), as relevant.

**Article 27 (Establishment and Implementation of Plans for Supporting Development of Domestic and
Overseas Markets for Small and Medium Enterprises)**

(1) The Administrator of the Small and Medium Business Administration shall, every year, compile plans for supporting the development of overseas markets for small and medium enterprises prepared by the central administrative agencies, local governments, and agencies or organizations under Article 26 (2) and shall announce them.

(2) The Administrator of the Small and Medium Business Administration may request agencies or organizations under paragraph (1) to formulate and submit their plans for supporting the development of overseas markets for small and medium enterprises. In such cases, the heads of such agencies or organizations shall comply with such request, in the absence of extenuating circumstances.

(3) Where the details, schedules, etc. of the plans for supporting the development of overseas markets for small and medium enterprises under paragraph (1) are similar or overlap each other, the Administrator of

the Small and Medium Business Administration may require the Minister of Trade, Industry and Energy to coordinate them. <Amended by Act No. 11690, Mar. 23, 2013>

Article 28 (Connected Production Support Projects, etc.)

(1) In order to assist with the manufacturing of products by small and medium enterprises and development of markets therefor, the Administrator of the Small and Medium Business Administration shall take necessary measures as prescribed by Presidential Decree by collecting and providing the information on receiving and placing orders concerning the manufacturing, processing or repair thereof to small and medium business proprietors so that manufacturing of products by the small and medium business proprietors are connected with markets therefor.

(2) Where several small and medium business proprietors intend to introduce or utilize a collective trademark to strengthen sales activities, the Administrator of the Small and Medium Business Administration may assist them in the following matters in accordance with the standards and procedures prescribed by Presidential Decree:

1. Expenses for the development of a collective trademark;
2. Facilities necessary for the sale of products under a collective trademark and operating funds therefor;
3. Improvement of quality of products under a collective trademark and development of design thereof;
4. Sale and export of products under a collective trademark;
5. Publicity of products under a collective trademark;
6. Other matters necessary for strengthening the sales activities of products under a collective trademark.

Article 29 (Support for Logistics Modernization Projects)

(1) Where small and medium business proprietors engaged in manufacturing promote projects for modernization of logistics, such as projects for creating, establishing or improving logistics facilities for products manufactured by small and medium business proprietors, raw or subsidiary materials, and projects incidental thereto, the Administrator of the Small and Medium Business Administration may assist therewith.

(2) Support for logistics modernization projects under paragraph (1) shall include funding, guidance, training, and provision of information.

Article 30 (Designation of and Assistance for Small and Medium Exporting Enterprises and Promising Items)

(1) In order to expand overseas markets for small and medium enterprises, the Administrator of the Small and Medium Business Administration may designate the following small and medium business proprietors or items and provide assistance therefor:

1. Small and medium business proprietors preparing or promoting export who meet the standards prescribed by Presidential Decree, among the small and medium business proprietors giving priority to domestic markets;

2. Small and medium business proprietors with promising export prospects or future growth potential, who meet the standards prescribed by Presidential Decree, among the small and medium business proprietors engaging in an export trade;
 3. Items the export of which is promising or having future growth potential and which meet the standards prescribed by Presidential Decree, among the items manufactured in large portion by small and medium enterprises.
- (2) The Administrator of the Small and Medium Business Administration may assist agencies or organizations in charge of the items designated under paragraph (1) 3 in performing the joint development of overseas markets for small and medium enterprises.
- (3) The agencies or organizations under Article 26 (2) shall preferentially assist the small and medium enterprises or with items designated under paragraph (1).
- (4) The Administrator of the Small and Medium Business Administration may request the submission of the details and results of assistance under paragraph (3). In such cases, the agencies or organizations requested to submit the details and results of assistance shall comply with the request in the absence of extenuating circumstances.
- (5) Matters necessary for the designation of small and medium business proprietors or items as prescribed in the subparagraphs of paragraph (1) and procedures of assistance, etc. shall be determined and announced by the Administrator of the Small and Medium Business Administration.

Article 31 (Analysis and Announcement of Export and Import Trends of Small and Medium Enterprises)

- (1) The Administrator of the Small and Medium Business Administration shall analyze and announce the export and import trends of small and medium enterprises so as to formulate a policy on supporting small and medium enterprises to expand overseas markets. *<Amended by Act No. 11462, Jun. 1, 2012>*
- (2) The Administrator of the Small and Medium Business Administration may require the agencies or organizations prescribed by Presidential Decree, such as the Korea Customs Service, to provide data or information necessary for the analysis prescribed in paragraph (1), and in such cases, the agencies or organizations shall comply with such request, except in extenuating circumstances.
- (3) The Administrator of the Small and Medium Business Administration may entrust the analysis prescribed in paragraph (1) to the agencies and organizations designated by the Administrator of the Small and Medium Business Administration.

Article 31-2 (Responsibility of Public Institutions)

When the head of a public institution purchases expendable materials, if a large-scale expendable materials procuring business operator competes with a small and medium expendable materials supplier, the head shall conclude a contract preferentially with the small and medium expendable materials supplier.

Article 31-3 (Establishment of Comprehensive Support Center for Small and Medium Expendable Materials Supply Business)

(1) The Administrator of the Small and Medium Business Administration shall establish the comprehensive support center for small and medium expendable materials supply business (hereinafter referred to as "support center") within a distribution company established pursuant to Article 69 of the Small and Medium Enterprises Promotion Act, which provides information and counseling to support the activities of small and medium expendable materials supply business and other comprehensive services.

(2) The Government may subsidize funds, etc. necessary for the establishment and operation of the support center.

(3) The support center that supplies products supplied by a small and medium manufacturer or small and medium expendable materials supplier shall be deemed a small and medium expendable materials supplier in cases where the head of a public institution concludes an expendable materials supply contract pursuant to Article 31-2.

Article 31-4 (Investigation of Actual Status)

(1) For the purposes of systematically fostering small and medium expendable materials suppliers, the Administrator of the Small and Medium Business Administration may conduct an investigation into current state and actual status of small and medium expendable materials supply business every two years and announce the results thereof.

(2) Where necessary for conducting an investigation into actual status under paragraph (1), the Administrator of the Small and Medium Business Administration may request institutions or organizations related to small and medium expendable materials supply business to submit materials or present opinions. In such cases, the institutions or organizations requested to submit materials or present opinions shall comply therewith unless extenuating circumstances exist.

Article 32 (Reporting and Examination)

(1) Where the Administrator of the Small and Medium Business Administration deems it necessary for enforcing this Act, he/she may require any of the following persons to submit necessary data and make reports, or require public officials under his/her jurisdiction to enter relevant offices, places of business, etc., to examine books, documents, or articles relating to the pursuit of business: *<Amended by Act No. 13094, Jan. 28, 2015>*

1. The head of a public institution under Articles 4, 5, 7, 12, and 31-2;
2. A small and medium business proprietor in receipt of confirmation of direct production pursuant to Article 9;
3. A small and medium business proprietor in receipt of performance certification pursuant to Article 15 (1);
4. The head of a testing and research institute and the head of a testing agency under the jurisdiction of a government agency under Article 15 (6);
5. A performance insurance carrier under Article 18 (2);
6. A prime contractor under Article 22;

7. The head of an institution or organization to which the Administrator of the Small and Medium Business Administration has entrusted projects for supporting the development of domestic and overseas markets pursuant to Article 26 (2);

8. The head of an institution or organization to which the Administrator of the Small and Medium Business Administration has provided support so that he/she may jointly develop overseas markets with small and medium enterprises pursuant to Article 30-2;

9. The head of a comprehensive support center for small and medium expendable materials supply business under Article 31-3 (1).

(2) Public officials who conduct examinations prescribed in paragraph (1) shall carry a certificate indicating their authority and produce it to interested persons.

Article 33 (Consideration of Special Corporations, etc. as Small and Medium Enterprises)

(1) In applying Articles 4 through 12, 22, 23 and 25, the following corporations or organizations which may conclude a supply contract by means of a private contract with the State in accordance with the proviso to Article 7 of the Act on Contracts to which the State is a Party shall be deemed small and medium business proprietors: *<Amended by Act No. 10504, Mar. 30, 2011>*

1. Corporations established in accordance with Special Acts, such as agricultural cooperatives;

2. Organizations consisting of injured persons among organizations established in accordance with the Act on the Establishment of Associations by Persons, etc. of Distinguished Services to the State;

3. Welfare organizations for persons with a disability under Article 63 of the Act on Welfare of Persons with Disabilities or organizations for persons with a disability among incorporated associations established pursuant to Article 32 of the Civil Act;

4. Other corporations or organizations prescribed by Presidential Decree.

(2) Distribution companies specializing in products of small and medium enterprises established pursuant to Article 69 of the Small and Medium Enterprises Promotion Act shall be deemed small and medium business proprietors in cases where the head of a public institution prepares purchase plans and purchase records pursuant to Article 5. *<Newly Inserted by Act No. 10504, Mar. 30, 2011>*

Article 34 (Delegation and Entrustment of Authority)

(1) Part of the authority of the Administrator of the Small and Medium Business Administration under this Act may be delegated to the heads of its affiliated agencies or Mayors/Do Governors, or may be entrusted to the heads of other administrative agencies.

(2) Part of the duties of the Administrator of the Small and Medium Business Administration under Articles 8 (2), 9 (4), 10, 11, 13 (2), 25 and 26 may be entrusted to the National Federation or companies selling products of small and medium enterprises under Article 69 (1) of the Small and Medium Enterprises Promotion Act, as prescribed by Presidential Decree. *<Amended by Act No. 10504, Mar. 30, 2011>*

(3) The executive officers and employees of the National Federation or companies selling products of small and medium enterprises engaged in the duties entrusted by the Administrator of the Small and

Medium Business Administration as prescribed in paragraph (2) shall be deemed public officials in the application of penalty provisions under Articles 129 through 132 of the Criminal Act.

Article 35 (Penalty Provisions)

(1) Any person who receives confirmation from the Administrator of the Small and Medium Business Administration that he/she is not subject to restrictions on participation in competitive bidding among small and medium business proprietors under Article 8-2 (1) 1 and 2, by deception or other fraudulent means shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding 30 million won. *<Amended by Act No. 11462, Jun. 1, 2012; Act No. 12499, Mar. 18, 2014>*

1. and 2. Deleted; *<Act No. 12499, Mar. 18, 2014>*

(2) Any person who receives a direct production verification certificate under Article 11 (2) 1 and 3 shall be punished by imprisonment with labor for not more than one year or by a fine not exceeding ten million won. *<Newly Inserted by Act No. 12499, Mar. 18, 2014>*

(3) Any person who violates Article 15 (5) shall be punished by a fine not exceeding five million won. *<Amended by Act No. 12499, Mar. 18, 2014>*

Article 36 (Joint Penalty Provisions)

If the representative of a corporation, or an agent, employee, or other servants of a corporation or a private individual commits an offense under Article 35 in connection with the duties of the corporation or individual, not only shall such offender be punished accordingly, but the corporation or individual shall also be punished by a fine under the relevant provisions: Provided, That the foregoing shall not apply where the corporation or individual has not been negligent in paying due attention and supervision regarding the relevant duties to prevent the occurrence of such offense.

Article 37 (Administrative Fines)

(1) Any person who fails to submit data or make a report under Article 32, or submits false data or makes a false report, or refuses, interferes with, or evades an examination, shall be punished by an administrative fine not exceeding three million won. *<Amended by Act No. 13094, Jan. 28, 2015>*

(2) Administrative fines prescribed in paragraph (1) shall be imposed and collected by the Administrator of the Small and Medium Business Administration, as prescribed by Presidential Decree.

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Article 2 (General Transitional Measures concerning Dispositions, etc.)

Acts by or against an administrative agency pursuant to the former Promotion of Small and Medium Enterprises and Encouragement of Purchase of their Products Act (referring to the Act prior to the amendment by Act No. 9683; hereinafter referred to as "former Act") as at the time this Act enters into force shall be deemed acts by or against an administrative agency pursuant to this Act corresponding thereto.

Article 3 (Transitional Measures concerning Bidding or Contracts)

ADDENDUM <Act No. 9894, Dec. 30, 2009>

This Act shall enter into force on the date of its promulgation.

ADDENDA <Act No. 10228, Apr. 5, 2010>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation.

Articles 2 through 5 Omitted.

ADDENDUM <Act No. 10504, Mar. 30, 2011>

This Act shall enter into force three months after the date of its promulgation.

ADDENDUM <Act No. 10951, Jul. 25, 2011>

This Act shall enter into force on the date of its promulgation.

ADDENDA <Act No. 11462, Jun. 1, 2012>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, That the amended provisions of Article 8-2 (1) 1 shall enter into force on January 1, 2013.

Article 2 (Applicability to Division, etc.)

The amended provisions of Article 8-2 (1) 1 shall apply beginning with any company subject to division, merger after division, or physical division, on or after January 1, 2006.

ADDENDA <Act No. 11690, Mar. 23, 2013>

Article 1 (Enforcement Date)

(1) This Act shall enter into force on the date of its promulgation.

(2) Omitted.

Articles 2 through 7 Omitted.

ADDENDUM <Act No. 12008, Aug. 6, 2013>

This Act shall enter into force six months after the date of its promulgation.

ADDENDA <Act No. 12499, Mar. 18, 2014>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Article 8-2 (3) through (7) shall enter into force on the date of their promulgation, and the

amended provisions of Article 21 (3) through (7) shall enter into force three months after the date of their promulgation.

Article 2 (Transitional Measures concerning Enforcement Date)

"Paragraph (1) 1" of the amended provision of Article 8-2 (5) shall be construed as "paragraph (1) 1 and 2" until the enforcement date of the amended provision of Article 8-2 (1) 2.

Article 3 (Applicability to Submission of Data)

The amended provision of Article 8-2 (3) shall apply beginning with a small and medium business operator who applies for confirmation as to whether he/she is subject to restrictions on participation in competitive bidding among small and medium business proprietors at the time the aforesaid amended provision enters into force.

Article 4 (Applicability to Suspension of Contractual Procedures)

The amended provisions of Article 21 (3) and (4) shall apply beginning with the first public institution that is advised to make improvements in relation to the purchase of small and medium enterprise-manufactured products after the aforesaid amended provisions enter into force.

ADDENDA <Act No. 12844, Nov. 19, 2014>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, That among the Acts amended pursuant to Article 6 of this Addenda, amended parts of the Acts which were promulgated before this Act enters into force but the enforcement dates of which have not arrived, shall enter into force on the enforcement date of the relevant Act, respectively.

Articles 2 through 7 Omitted.

ADDENDA <Act No. 13094, Jan. 28, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, That the amended provision of Article 11 (2) 3 shall enter into force three months after the date of its promulgation, and the amended provisions of Articles 7 (3) and 7-2 shall enter into force on May 28, 2015.

Article 2 (Transitional Measures concerning Official Announcement of Tender)

An official announcement of tender made pursuant to Article 8-4 of the former Act on Special Measures for Support of Small Businesses and Micro Business Operators at the time the amended provisions of Article 7-2 enter into force shall be construed as an official announcement of tender under the amended provisions of Article 7-2.