UNCTAD 'e-Commerce Week'

Public Procurement Service

Korea e-Procurement System :
Continuous Improvement & Innovation

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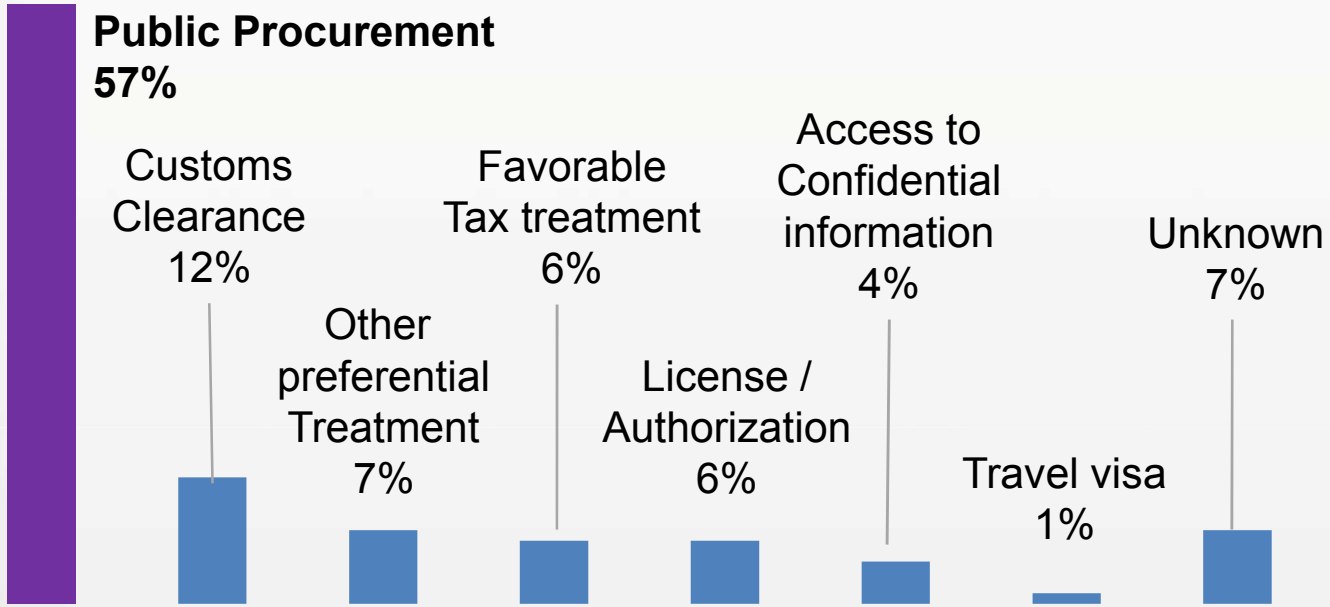
Public Procurement Service

I Major Issues in Public Procurement

According to TI…,

"400 billion dollars are being wasted annually
due to corruption and inefficiency in the public procurement."

Purpose of the bribes according to OECD Foreign Bribery Report



OECD Highlights Several Principles;

- Transparency, Stakeholder Participation
- Access to public procurement contracts, Oversight and control
- e-procurement

Public Procurement for Social Value

Different goals to different people

- **Strengthen national economy**

  → support SMEs, facilitate new industries, etc.

- **Protect our environment**

  → reduce carbon emission, consume more green products, etc.

- **Help the socially vulnerable group**

  → create more job opportunities, provide market access, etc.

e-Procurement is an essential tool

- **Provide useful and up-to-date information**
- **Simplify and effectively monitor procurement process**

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II e-Procurement in Korea

"e-Procurement itself **is not a brand new but steady selling topic and the must-item for effective public procurement**."

Background of e-Procurement

General characteristics of traditional procurement practices

Paper-oriented procedure Face to face contacts Limited disclosure of info Complicated process	→ Inefficiency Low transparency Low service quality

Changes in the procurement environment

- Advances in Information Technology
- Best value for customers and tax payers
- Business Transparency

Long Road to KONEPS

EDI (1997~2000) — Paper documents → e-Documents

- XML-based standard e-Document Interchange for procurement process

e-Bidding (2000~2001) — Physical bidding → Online e-Bidding

- Year-round training at 23 training centers across the country
- Process integration for user convenience (e-Certificates, online fee payment)

e-Payment, e-Guarantee (2001) — Government check → e-Fund transfer

- Payment via electronic fund transfer (EFT), e-certification for guarantee deposit

KONEPS (2002) — **Integrated Services** through a **single portal**

- **Entire procurement process** through a single portal

Features of KONEPS

Single window for public procurement

- All bids required to be published on KONEPS
- Bidders can participate in all public biddings after one-time registration

Integration of Entire Procurement Process

- Digitalized end-to-end procurement process from requisition to payment

One-stop service

- 475 types of documents handled online by linkage with 221 external systems (government & private sector)

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Transactions through KONEPS (FY2017)

Over 71.2% of Korea's total public procurement($123 billion) was conducted through KONEPS

User Registration	• 52,395 government agencies • 373,833 registered businesses
e-Bidding	• 71.2% of total procurement procured via KONEPS • 33M people participated in 296T e-bidding • Total transaction value : $87.7billion
e-Contracting & e-Payment	• 855T contracts are electronic(99% of all contracts) • 100% of all payments are electronic
Online Sopping mall	• 1M Purchase Orders issued online(99% of all POs) • Total e-Mall transaction value : $17 billion

Impact of KONEPS

Increased Efficiency

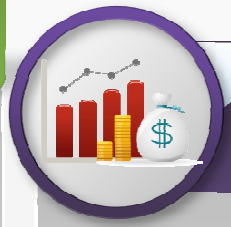
- Improved work efficiency through shared data & process automation
- Transaction cost savings of US$ 8B annually

✓Private Sector: US$ 6.6B

✓Public Sector: US$ 1.4B

Improved Transparency

- E-disclosure of procurement information on real-time basis
- Enforced user's compliance with existing legislation
- Increased traceability of all transactions (price, specs, etc.)



Economic & Business Development

- Served as a catalyst to expanding e-commerce
- Contribution to development of SMEs

✓75.6% of total procurement volume awarded to SMEs

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Ⅲ Continuous Improvement & Innovation

“ We should keep improving our system

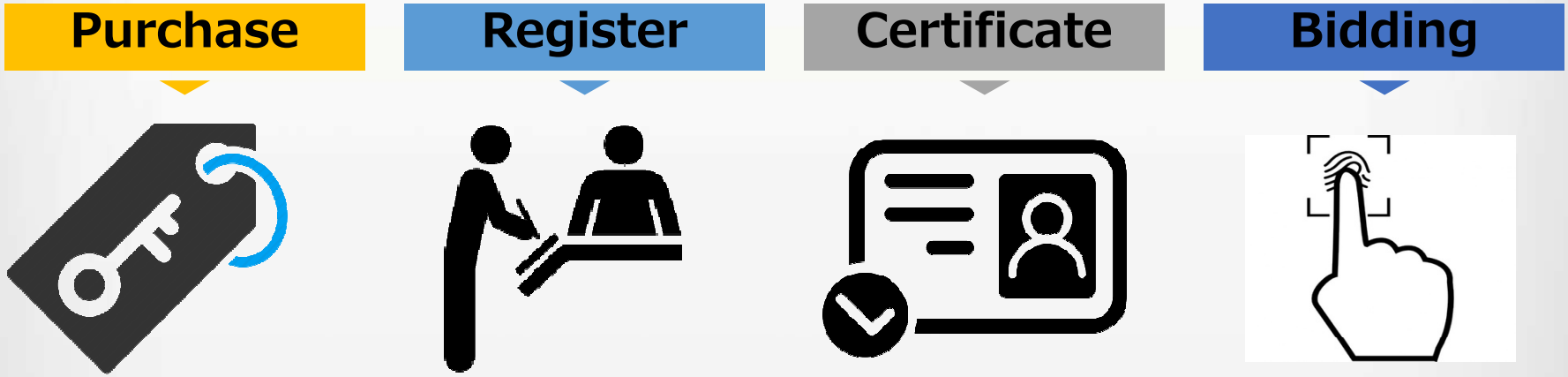
for better public procurement in new environment.”

Continuous Improvement & Innovation

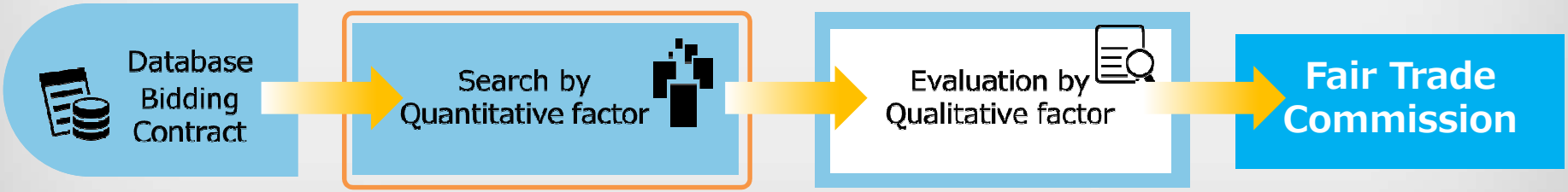
- (2010) Fingerprint recognition system
- (2011) Smart e-Procurement services
- (2013) Subcontract Management System
- (2014) Corrupt activity analysis
- (2015) New security system on the basis of 'Cloud computing'
- (2017) Open-APIs for Procurement Information
- (2018) Big Data-Based Decision-Making Support System

Secure Procurement Process

- **(2010) Fingerprint recognition system**

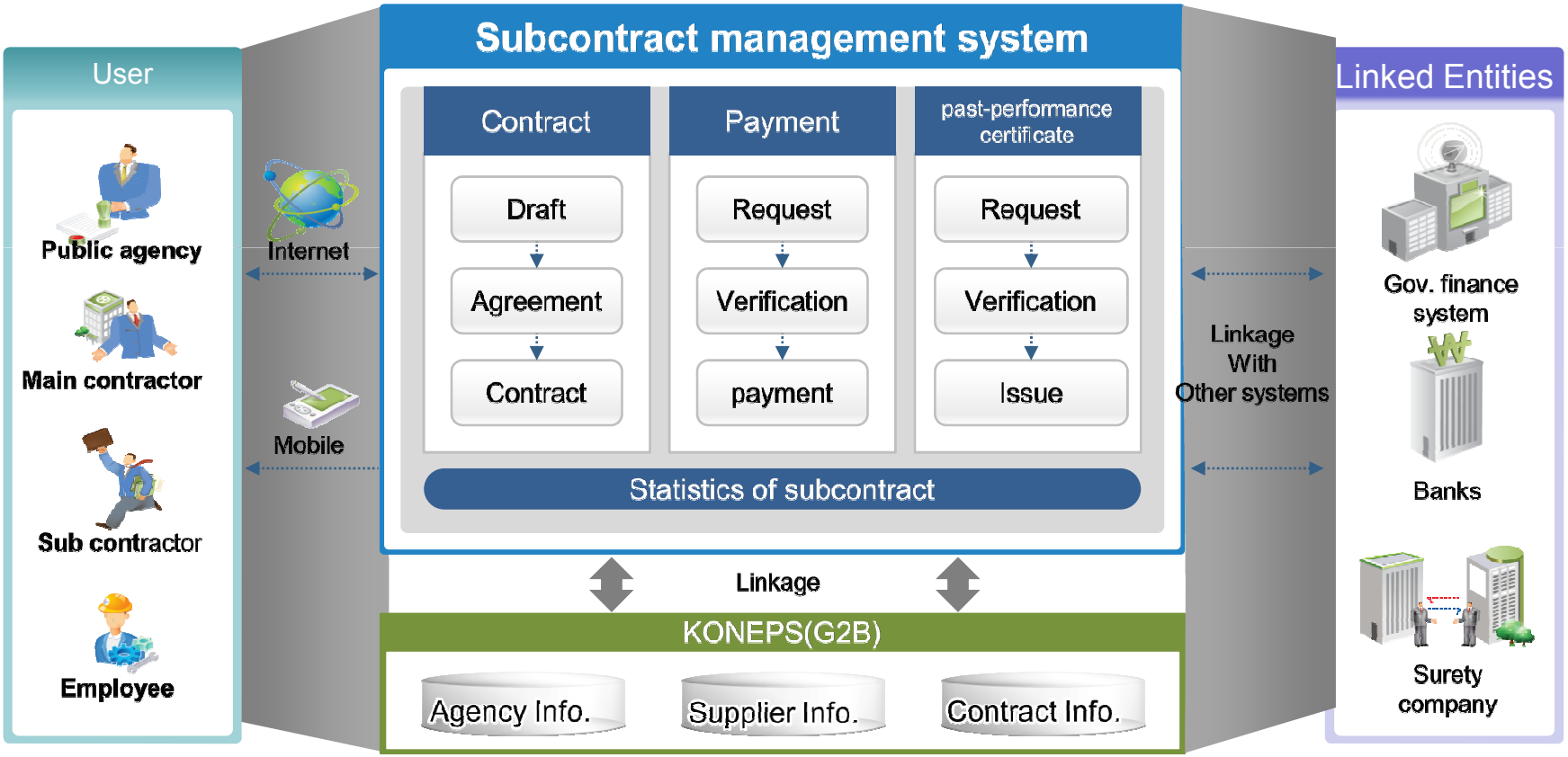


- **(2014) Corrupt activity analysis**



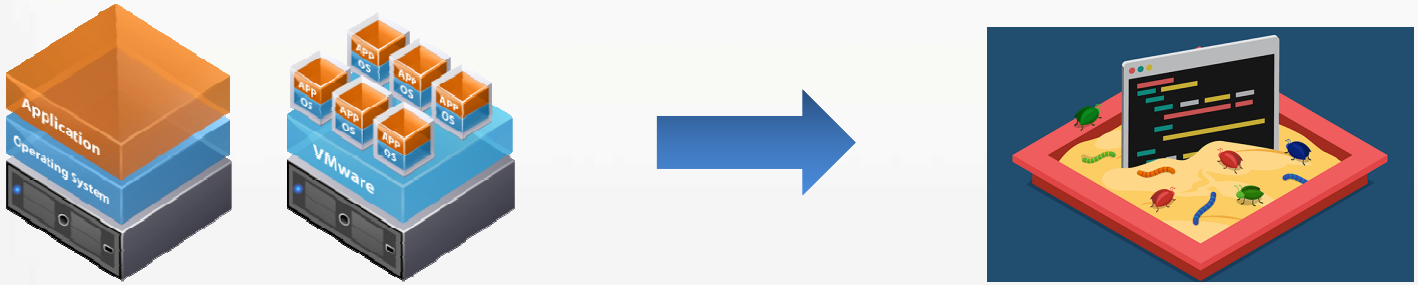
Fair Procurement Management

❖ Subcontract Management System (2013)



Applying New Technology

- **(2015/2017) SafeG2B – Virtual Bidding Service**



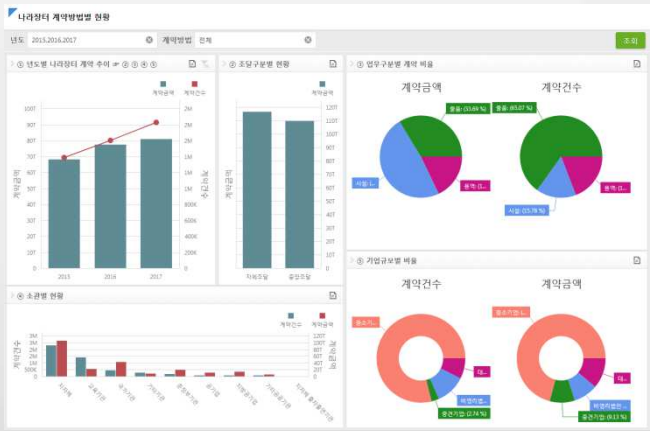
Virtual Machine **Sandbox**

- **(2018) Big Data-Based Decision-Making Support System**

All Kinds of Status

Analysis of History, Keywords

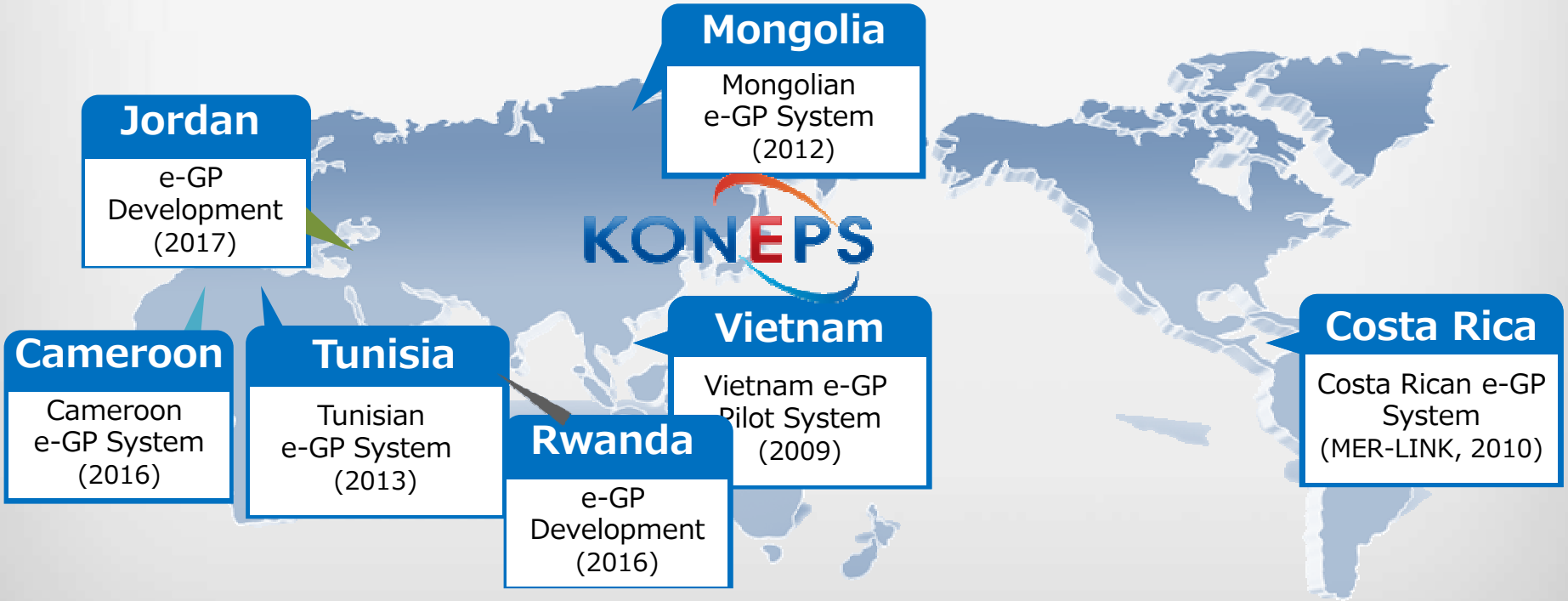
Simulation for Suppliers, PPS



International Cooperation

- e-Procurement is not just ICT.
  Sharing experience and Knowledge is better all.

- Partner Countries



Conclusion

Thank you