e-Procurement Experience in Korea: Implementation and Impact

June 2012

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Public Procurement in Korea
Public Procurement in Korea

Public Procurement Size

- Public Procurement Total (2011): **USD 100 billion** (10% of GDP)

Public Procurement Service (PPS)

- The government’s **central purchasing agency**
- Covers **central govt. procurement** above threshold
  - Goods & Services: above $100,000
  - Construction Works: above $3,000,000
- Local govt. and public enterprises may use PPS’s procurement services by request
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e-Procurement in Korea
KOREA ON-line E-Procurement System

KONEPS (Korea On-line E-Procurement System)

- **Govt. e-Procurement system** operated by PPS

- Used by **44,000** public entities* and **228,000** suppliers

- One of the largest e-Commerce systems in the world

Transactions via KONEPS

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Public Procurement</th>
<th>Public Procurement via KONEPS</th>
<th>e-Bay</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$43 bn</td>
<td>$22 bn</td>
<td>$20 bn</td>
</tr>
<tr>
<td>2007</td>
<td>$56 bn</td>
<td>$24 bn</td>
<td>$22 bn</td>
</tr>
<tr>
<td>2010</td>
<td>$76 bn</td>
<td>$30 bn</td>
<td>$24 bn</td>
</tr>
</tbody>
</table>

* Figure accounts for most public entities, except 20 public enterprises that operate independent e-Procurement systems.
**Single Window to Public Procurement**

- All tender notices are published through KONEPS

**End-to-end Functional Coverage**

- KONEPS processes the entire procurement procedures through sub-systems: e-bidding, e-contracting, e-ordering from online shopping mall and e-

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**KONEPS**

Korea ON-line E-Procurement System

- e-Bidding
- e-Contracting
- Online Shopping Mall
- e-Ordering
- e-Payment
e-Procurement in Korea

One Stop Service through Data Integration

- KONEPS exchanges data with 140 external info systems for supplier information, bid evaluation, bonds and payment, minimizing paper document submissions

Before

Public Buyer

Bid

Supplier

Ministry of Strategy and Finance

National Tax Office

Construction Authorities

Credit Rating Companies

Certification-Related agencies

Industry Associations

Surety Companies
e-Procurement in Korea

One Stop Service through Data Integration

- KONEPS exchanges data with 140 external info systems for supplier information, bid evaluation, bonds and payment, minimizing paper document submissions

After Contract Delivery

Ministry of Strategy and Finance
National Tax Office
Construction Authorities
Certification-Related agencies

Industry Associations
Credit Rating Company
Surety Companies
Korea Financial Telecommunications & Clearings Institute

Public Buyer

Supplier

e-Bid

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KONEPS - Implementation and Evolution

- Phased Transition to e-Procurement

- EDI (e-Document Interchange)
- e-Bidding
- e-Payment
- KONEPS Single Portal e-Contracting
- Online Shopping Mall
- Mobile Bidding

[2000] [2001] [2002] [2003~present]
Impact of e-Procurement
Increased Opportunities for SMEs

- SMEs’ registration for bid participation doubled since KONEPS (2002)

- Increased participation by SMEs

- SMEs share in Online Shopping Mall Sales
  - 26.6% (2006)  61.5% (2008)  74.9% (2010)

* Foreign procurement, construction mgt. and superintendence not included
Impact of e-Procurement

Transition to e-Business

- Early e-GP promoted the growth of e-Certification industry
  - 1.1 m (2001) → 8.7m (2003) → 24.4m (2010)

- Catalyst for the growth of e-Commerce
  - Strong full through effect in e-Commerce
  - Internet banking, online stock trading and e-Shopping

Growth of e-Commerce in Korea

- 2001: $119 bn
- 2006: $413.6 bn
- 2011: $999.6 bn

8.4 times
Impact of e-Procurement

Increased Transparency

- **Real-time information disclosure**
  - Bidding results and contract details disclosed to the public on-line
  - Peer monitoring on fair results

- **Objectivity in bid evaluation**
  - Bid evaluation based on objective, validated data

- **Informed decision-making**
  - Traceable prices and specifications
  - Reduced risks of biased decisions from information asymmetry
Impact of e-Procurement

Transaction Cost Savings

- KONEPS is saving **transaction costs** of **USD 8 billion** annually
  - Private Sector: USD 6.6 billion
  - Public Sector: USD 1.4 billion

- **Increased efficiency**
  - Receiving bids, validating related docs. and selecting the winning bid
    - **Before**: over 30 hrs
    - **After**: less than 2 hrs
  - Reduction of 7.8 million pages of paper documents per year
Impact of e-Procurement

International Recognitions

- UN Public Service Award (2003), Global IT Excellence Award (2006), e-Asia Award (2007)

- Adoption of KONEPS-based e-Procurement systems in developing countries

- Tunisia: Tunisian e-GP System (began in 2012)
- Jordan: e-GP Feasibility Study (2009)
- Algeria: e-GP Feasibility Study (2012)
- Uzbekistan: e-GP Feasibility Study (2009)
Future Goals
Future Directions

World Best Procurement Agency

Total solution and platform for public procurement

Continuing development of best practice models

Exchange of expertise and best practices with the World
THANK YOU