



# **Innovation in Procurement Through Digitalization**

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**PUBLIC PROCUREMENT SERVICE**  
**The Republic of Korea**

# CONTENTS

- 1. What PPS Does**
- 2. Background and Progress of e-Procurement**
- 3. GePS**
  - 3-1 Outlines of GePS**
  - 3-2 Major Functions**
  - 3-3 Effects**
  - 3-4 Success Factors**
- 4. Future Development Plans**
  - 4-1 Expansion of Contents Service with CRM**
  - 4-2 Leading e-Commerce through Standardization**

# 1. What PPS Does

## □ Public Procurement Service (PPS) : Central Procuring Agency

- Founded in 1949, staffed by 935 employees

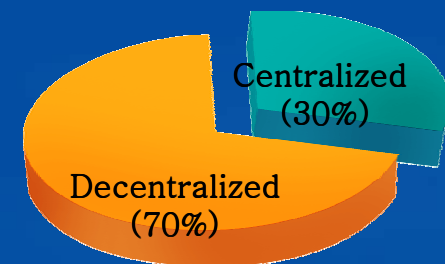
## □ Purchases Goods and Services and Contracts Construction Projects for Central and Local Governments

- Individual goods valued more than 42,000 U.S.D
- Contracts for construction projects valued more than 2.5 million U.S.D

## □ Operates the Government-wide e-Procurement System (GePS)

- Establishes standardized public e-procurement procedures
- provides information on contracts and suppliers

Public procurement system

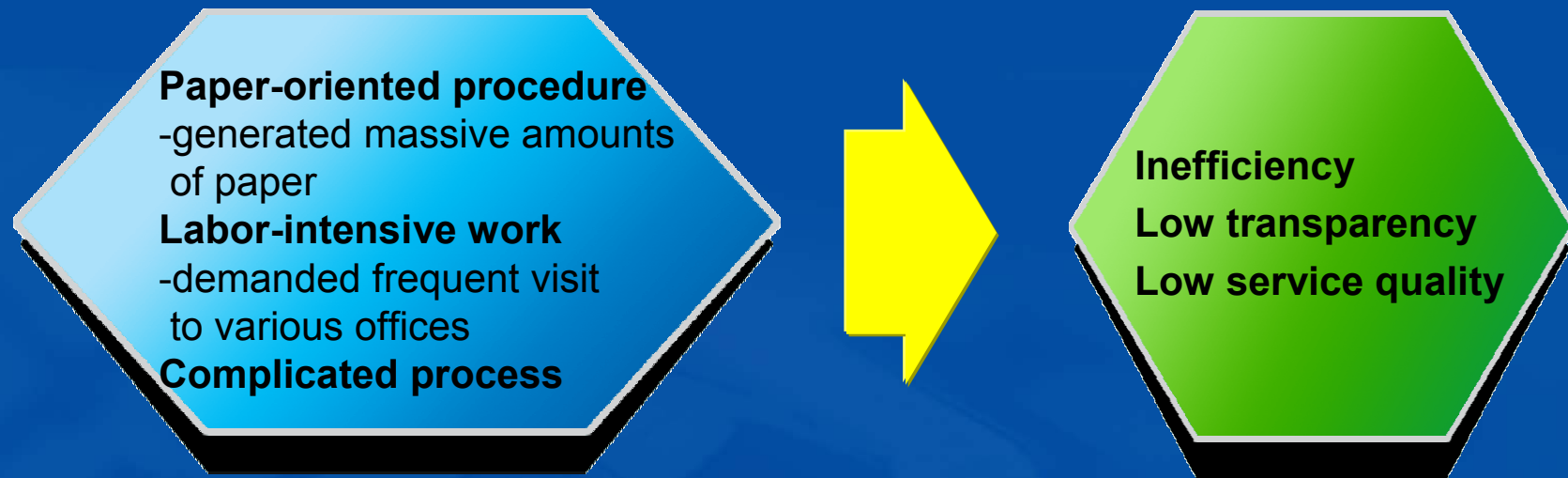


<< Total volume : \$56B >>



## 2-1. Background of e-Procurement

### □ General characteristics of traditional government procurement



### □ Changes in the Environment

- With IT advances, commercial transactions went online
- Importance of customer service and business transparency was emphasized

## 2-2. Progress of e-Procurement

### Digitalization of procurement process:

- resolution of problems inherent in traditional procurement
- service innovation for a changed environment

#### ☐ The steps to e-procurement

- EDI and e-shopping mall (1997-1999)
- e-bidding and e-payment systems (2001)

#### ☐ Foundation for e-procurement

- Development of e-catalogues
- Revision of 22 procurement-related laws and regulations
- Education of customers and suppliers in e-procurement

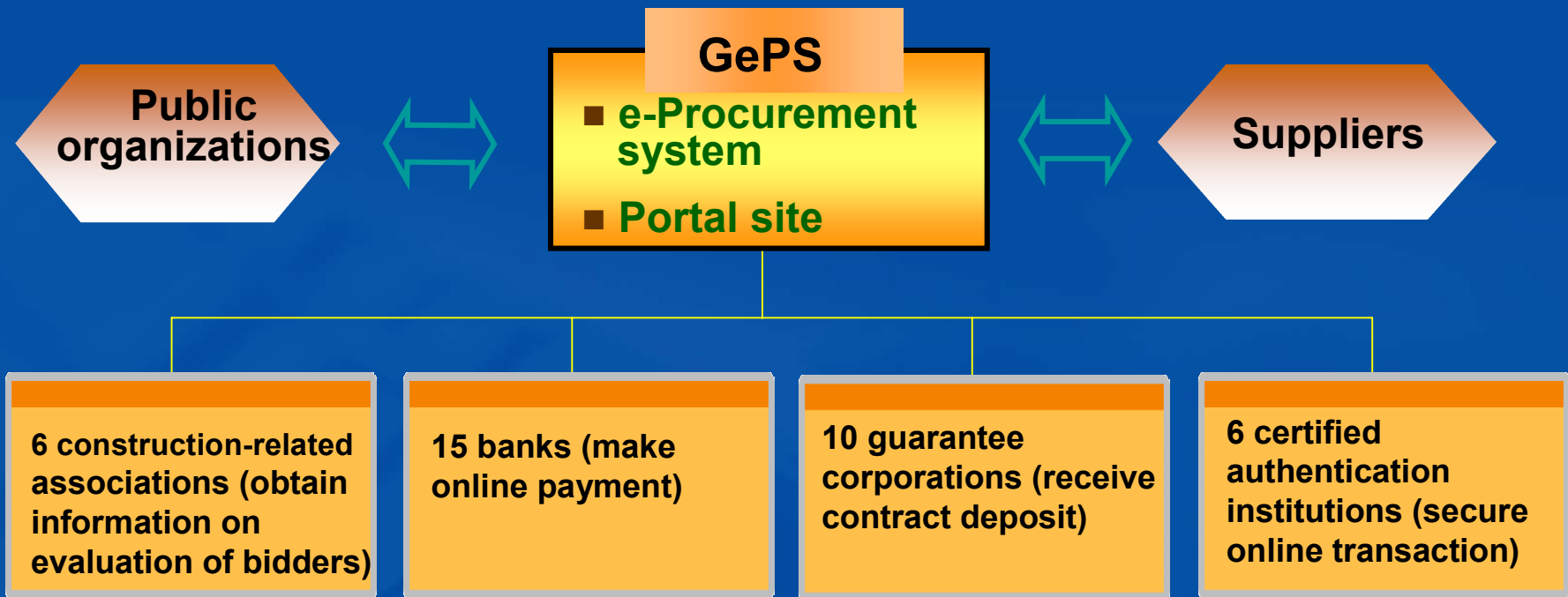
#### ☐ Finally, the Government e-Procurement System (GePS) was born in September, 2002

- Now, all public organizations are using GePS



## 3-1. Outlines of GePS

### ☐ Entire procurement process online



### ☐ Accessible for all public organizations and suppliers

- 166 kinds of procurement-related documents digitalized

➔ No need for additional documents submission

## 3-2. Major Functions of GePS(1)

- ☐ Provides integrated information as a portal site
  - About 25,000 public organizations are required by law to announce the bidding information on GePS
    - Project volume, specification and award criteria, etc
  - 390,000 e-catalogue information listed on GePS
- ☐ Once registered on GePS, all bidding participation
  - A company can participate in all kinds of tendering of public organizations with one time registration of GePS
  - 87,000 suppliers are registered on GePS

## 3-2. Major Functions of GePS(2)

### ☐ Enables transparent e-procurement

- All procurement processes are digitalized and covered in real time
  - From purchasing request, bid announcement, bidding, contracting, inspection and to payment
- 92% of all domestic bids are executed on-line
  - A monthly average of 1.2 million people participate in e-bidding

### ☐ Promotes an e-shopping Mall

- 23,000 items are pre-contracted and purchased on-line by just-a-click





## 3-3. Effects of GePS

### ☐ Saves national budget through improving efficiency

- Cuts about 2.7 billion US dollars annually
- Reduces end-user/owner institution visits and provides information through the integrated source, enhancing convenience to PPS' clients

### ☐ Enhances business transparency

- Face to face contacts eliminated
- Bid information publicized in real time online

### ☐ Improves responsiveness

- Online payment within 4 hours

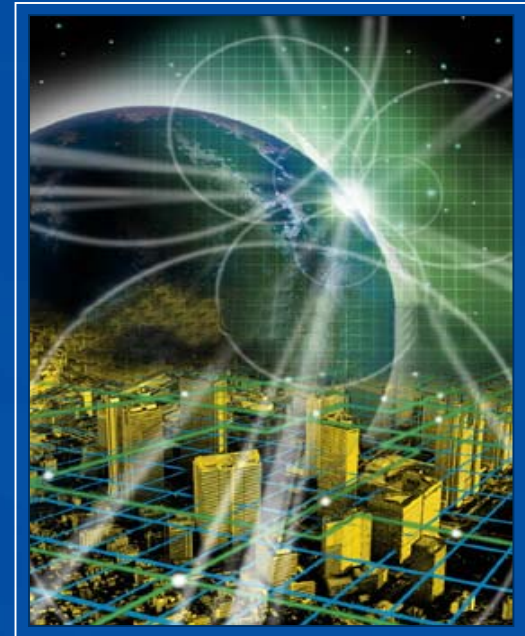
### ☐ Encourages competition by providing more bidding opportunities online

- The average number of bidders has risen three-fold after the implementation of e-bidding



## 3-4. Success Factors

- ☐ Strong will of the government for reform
  - Establishment of 'special committee for e-government'
- ☐ The world-class Internet infrastructure already in place
  - 70% of Korean households: users of broadband Internet network
- ☐ Application of systematic BPR/ISP and new technologies
  - Improvement of purchasing procedures prior to system development
  - New technologies (e-signature, encryption, e-documents, meeting global standards) integrated into GePS system
- ☐ Employees' professionalism and their aspiration for change
  - contract technique and know-how accumulated over 50 years



## 4. Future Development Plans(1)

### Expansion of Contents Service with CRM

#### ☐ Providing Customer-centered Information

- Providing optimized contents to each individual customer
  - \* individualized bid information, product and supplier information for public organization, etc
- Diversifying customer communication channels
  - \* mobile phone, PDA, e-mail, etc

#### ☐ Developing “high value-added” contents

- Providing information on price fluctuations and trend
- Analyzing the public organization’s demand for products, etc



## 4. Future Development Plans(2)

### Leading e-Commerce through Standardization

- ☐ **Standardizing electronic documents in compliance with the global standards**
  - **IT Infrastructure : XML, SOAP, BP, etc**
- ☐ **Expanding standardized electronic catalogue**
  - **Adopting the UNSPSC**
  - **Sharing the catalogue with private sector**
- ☐ **Reinforcing User Education**
  - **Providing periodically OJT and on-line education**



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**Thank you...**