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1. Introduction

Distinguished Guests, Ladies and Gentlemen!

It is my great pleasure and honor to be invited here this afternoon. It is a wonderful opportunity to exchange information and share successes with other innovators in public service. My presentation is about innovation in procurement through digitalization.

This presentation is divided into four parts: Along with an introduction of PPS, outlines of the Government e-Procurement system and future development plans will be explained.

2. What PPS does

Public Procurement Service is Korea's central procuring agency. It was founded in 1949 and currently has 935 employees.

PPS purchases goods and services, and contracts construction projects for central and local governments. It purchases goods worth more than \$42,000 and contracts construction projects worth more than \$2.5 million. Contracts less than these amounts are conducted independently by individual public organizations. For reference, PPS accounts for 30% of the Korean public procurement.

Another important role of PPS is to operate the government-wide e-Procurement system which is used by all government organizations. PPS has established standardized public e-Procurement procedures, and provides important procurement information including products, prices, suppliers, and customers.

3. Background of e-Procurement

The background of e-Procurement can be explained in two parts.

Traditionally, government procurement was characterized by paper-oriented procedures, labor-intensive work, and a complicated process. These characteristics led to the generation of massive amounts of paper and frequent visits to various organizations, and in turn, resulted in inefficiency, low transparency, and poor service quality.

Secondly, the procurement environment was changing. Due to rapid advances in IT, commercial transactions went online, and a greater emphasis was put on customer service and business transparency.

4. Progress of e-Procurement

In order to resolve these problems and meet the changing environment, PPS decided to digitalize its procurement process.

PPS initiated e-procurement in several stages. Since 1997 PPS started using EDI and opened an e-shopping mall. In 2001, PPS began to operate e-bidding and e-payment systems.

PPS laid the foundation for e-procurement at the same time. It developed e-catalogues and revised 22 laws and regulations and provided practical education to public organizations and suppliers.

PPS finally launched a government-wide e-Procurement system, called GePS, in September 2002. Now, all public organizations are using GePS.

5. Outlines of GePS

GePS is designed to process the entire procurement process on line. It is an e-Procurement portal site accessible to all public organizations and suppliers. It also operates an e-shopping mall.

Thus, public organizations do not have to operate their own procurement system. They only have to access GePS in order to process the whole range

of procurement business from purchase request, invitation for bids, bidding, contracting, to the final payment.

On the other hand, suppliers can register, submit bid and performance guarantee, and make request for payment. They can also obtain all the procurement-related information of public organizations from GePS.

In order for public organizations and suppliers to operate above-mentioned process online , GePS is connected to 53 external systems. For example, GePS is linked to 6 construction-related associations to enable sharing of evaluation information to select qualified contractors such as financial standing and past performance records. GePS is connected to 15 major commercial banks for electronic payment. Through its linkage with 10 guarantee agencies, GePS handles electronically various guarantee-related documents including guarantees for tender and contract. By applying e-signature in association with 6 certified authentication institutions, GePS secures the security of online transaction.

Now, users of GePS don't need to turn in many documents in person any more because PPS has digitalized 166 procurement-related documents, previously exchanged between public organizations and suppliers.

6. Major Functions of GePS

GePS has four major functions.

As a portal site, GePS provides integrated information. More than 25,000 public organizations are required by law to list on GePS their bidding information including project volume, specifications, contract award criteria, and etc. Information on 390,000 products is also listed on the system.

Suppliers can participate in all public organizations' bids by registering with GePS only once. They don't need any other registration. Thanks to this enhanced convenience, their participation in the bids increased sharply. Currently, about 87,000 suppliers are registered with GePS.

GePS enables transparent e-procurement. All the procurement process including purchase request, invitation for bids, contracting, inspection,

and payment are digitalized and disclosed on a real time basis. Currently, 92% of domestic bids are executed electronically. About 1.2 million people participate in e-bidding every month.

GePS operates an e-shopping mall. About 23,000 pre-contracted products including office supplies are available in this mall. Public organizations can purchase these highly demanded products with just a few clicks to complete entire procurement process from order placement to payment. Public organizations purchase 97% of their office supplies from this e-shopping mall.

7. Effects of GePS

GePS brings about many effects.

First, GePS is expected to help save about \$2.7 billion in annual procurement costs. GePS has made it possible to reduce visits to public organizations. GePS provides integrated information on public procurement from integrated sources. These contribute to a greater convenience for the customer.

Second, GePS enhances transparency because it eliminates person-to-person contact and provides information at each stage of the procurement in real time on line.

Third, GePS sharply reduces time required to proceed with procurement. For example, payment for goods can be made within 4 hours instead of 14 days in the former system.

Last, competition is increasing as more bidding opportunities are provided. Since implementing e-bidding, the average number of bidders has grown three-fold.

8. Success Factors

Several success factors can be identified.

First, the Korean government was determined to reform the administration through IT and set up a special committee for e-

Government.

Second, Korea has the world-class Internet infrastructure in place. 70% of Korean households are connected to the broadband Internet network.

Third, before developing GePS, PPS completed modification of procurement systems and procedures, and adopted new technologies including e-documents and e-signature.

The success of GePS was also attributed to PPS employees' rich experience, expertise, and enthusiasm for innovation and reform.

9. Future Development Plans (1)

PPS will make continuous efforts to expand contents service on the basis of Customer Relationship Management.

To this end, PPS will provide customer-centered information and services : PPS will provide optimized contents to each customer such as individualized bid information, and product and supplier information for the public organizations; Customer communication channels will be diversified to include mobile phone, PDA, email, and etc.

PPS will develop "high value-added" contents. This will include providing information on price fluctuations and trend, and analyzing public organizations' demand for products.

10. Future Development Plans (2)

PPS will play a leading role in promoting e-Commerce through standardization. PPS will standardize electronic documents in accordance with the global standards such as XML, SOAP, BP, and etc.

PPS will increase the number of standardized electronic catalogues by adopting the UNSPSC and sharing these catalogues with the private sector.

In addition, PPS will strengthen practical education to facilitate e-Commerce.

Thank you very much for your attention!