

Korean GePS:

World's No.1 e-Procurement Service

Pillar of Government Innovation

Many countries around the world regard the innovation of procurement as one of the most important agendas for government innovation. More specifically, since public procurement represents a large part of government transactions, involves the participation of many companies, and runs with tax, it requires high levels of transparency and efficiency. In this regard, government procurement has been considered an area that is starving for innovation.

In the process of procurement, which ranges from ordering decisions to payments, both buyers and sellers exchange numerous documents and consult with each other. If those operations can be digitalized, it will have an enormous effect on procurement in terms of transparency and cost saving. That's why e-procurement has emerged with such excitement. Private companies have already recognized that efficient procurement is essential in building competitive edge. So, they have chosen to be equipped with e-procurement systems like the cyber-market for online joint purchase.

GePS Functions and Operations

The Public Procurement Service (PPS), the central procurement agency, has established the Government e-Procurement System (GePS). GePS is not only one of the leading e-government services in Korea, but is also one of the most advanced e-procurement services in the world. It won the U.N. Public Service Award (PSA) in 2003 and was named the best practice in procurement by the United Nations in 2004.

GePS refers to a single service interface, which all public organizations, including government agencies and public corporations, have access to. Once registered on the GePS, the companies are allowed to make a bid for all open tenders and check related information on ordering.

In addition, all procedures – procurement requests, bids, contracts, payments – are automated. PPS also offers one-stop service on bids and contracts, while being connected with 61

GePS

Korea's World-Renowned Brand for e-Government



Public Procurement Service | Together with Customers

outside systems, like that of financial institutions. The system was established as part of the e-government's 11 projects in September 2002.

Currently, about 30,000 public organizations and 150,000 companies use the GePS. It has become one of the world's largest cyber markets with total transaction volume amounting to \$43 billion in 2004. E-bidding for contracts on goods and constructions accounts for \$25 billion. All companies are allowed to participate in public biddings via Internet. In 2004, 18 million bidders took part in 120,000 bids.

Moreover, office supplies, software and building materials can be purchased with one click on the GePS shopping mall

Web page. With 470,000 purchases, the transaction volume amounts to \$7 billion annually.

E-Procurement Innovation

Since the system relies on the Internet, the registered companies are able to do their business at home or at work without visiting public offices. They can do almost everything needed in whole procurement process through on-line from partaking in the bid, making contracts, submitting annexed documents, even to civil affairs like application for certificates on their past performances.

In the past, in order to participate in public procurement, companies had to visit and register their bid participation to all the public organizations concerned that were scattered nationwide. Then they had to submit the same documents repeatedly to each public organization during the whole bid process from registration to payment. Furthermore, much time is wasted on reading numerous journals and newspapers, including a government gazette, to check the bid information. There had also been growing concerns regarding possible corruption due to face-to-face business treatment between public officials and business men while making contract or payment. In this context, procurement needed to be digitalized. That's because the system's automatic processing and real-time online information sharing were expected to enhance transparency in government, raise corporate productivity and reduce transaction costs. For example, bidders no longer have to repeatedly go to government offices and submit the same documents.

The digitalization of government procurement in Korea was initiated by the PPS, which represents about 30 percent of all public procurement every year. It amounts to \$23 billion. With the construction of the Electronic Data Interchange (EDI) in 1997 as a beginning, PPS had completed the whole e-procurement process by launching e-shopping mall in 1998, e-bidding in 2000, and e-payment in 2001.

To expand those experiences on e-procurement and successful outcomes into the entire public organizations, PPS began building the GePS based on its own e-procurement systems in 2001. GePS is a system that deals with procurement transactions on its Web page (www.g2b.go.kr) by using the network connection of public organizations, business companies, guarantee firms, banks and digital-sig-

nature certification authorities. The GePS allows its participants to work anywhere that has access to the Internet.

Meanwhile, PPS has focused its evolution of e-procurement service based on Customer Relationship Management (CRM). Under the slogan "In a Way You Want Anytime and Anywhere," PPS has implemented convenient services for customers through the CRM project. In addition, PPS established the Web Call center to enhance customer service with telephone responses, video consulting and screen-sharing guides.

Moreover, it constructed an ontology system that has automatic search capabilities and can standardize various categorized catalogues. It has indeed contributed to giving e-commerce a boost by enabling easy access to product information.

In 2005, it implemented the so-called ubiquitous e-procurement. The opening of the mobile service center allowed for individuals to get procurement information and bidding opportunities. Now, entrepreneurs can make e-bids while on a moving bus or train.

A property management system using the core technology of ubiquitous RFID was completed in June. The system has allowed people to check the status of moving products and manage their work online on a real-time basis. As mentioned





PPS

Chin Dong-soo (R), CEO of PPS, discusses a cooperative model with Kuroda, president of Asia Development Bank (top). The PPS receives a U.N. Public Service Award in 2003 (above).

above, continuous efforts have been made to innovate and enhance e-procurement services.

Results and Success Factors

E-procurement is estimated to reduce \$4.5 billion in transaction costs annually. Ninety percent of the savings are generated from private companies. Government procurement has also become more transparent thanks to the capability in releasing real-time information, automatic processing and online transactions. Contracts under \$30,000 also follow a competitive bidding process instead of private contracts. The convenience of this has led to the increase in the number of bidders by three times.

Moreover, e-procurement has contributed to making the national economy more efficient. It has boosted private e-commerce. For example, both digital-signature and encryption technology applied to public procurement have promoted the

Moreover, e-procurement has contributed to making the national economy more efficient. It has boosted private e-commerce.

development of e-commerce infrastructure. Most of all, experiences gained from e-transaction have played an important role in bridging the digital divide between large and small companies and increasing confidence in online transactions.

GePS has been successful in Korea because of the nation's strong information technology infrastructure, which includes high-speed communication networks. Another success factor was that it boosted interagency cooperation along with the government-proposed ad hoc committee to systematically promote e-procurement. For example, the business registration information, which the National Tax Service is holding for its own business purpose though, is being shared by PPS through network connection. This interagency cooperation enabled to increase the benefits of e-government. But it is one of the toughest problems in performing government-wide projects. The committee boosted cooperation with 61 outer organizations linked with GePS, which allowed for a seamless and integrated system.

In its 50-year existence, PPS has utilized its know-how and expertise in e-procurement to make great contributions to the success of the GePS.

Reinforced International Cooperation

PPS has been part of more than 60 cases involving international cooperative activities since 2003. Many countries have responded to the achievement of GePS with enthusiasm. Some countries have pointed out the advantage of GePS through a single window, which PPS has yet to recognize. At conferences and meetings, some participating countries have asked for extra meetings in order to get a deeper understanding of GePS. The system has been benchmarked by Japan, China, Hong Kong, Vietnam, Pakistan, Sri Lanka, Laos, Turkey, Costa Rica, Brazil, Ukraine and Russia. In addition, PPS has been visited by international delegations nearly every month.

It continues to participate in the U.N./CEFACT, the international standardization body of e-commerce. As part of these efforts, PPS has also played an active role in reflecting the GePS in the first international standards for the e-bidding process, which was accomplished last March.

2005 was used by PPS to harvest the outcomes of all in-

ternational cooperative activities. In the past, PPS only focused on providing information on e-procurement. However, PPS has now established a strategy that can substantially contribute to the international expansion of e-procurement.

The strategy includes the development of educational programs for foreign officials and field studies for feasibility tests in foreign countries. PPS has already conducted a feasibility test for the governments of Vietnam and Pakistan, which were part of the e-procurement consulting service. Currently, follow-up measures for the introduction of the e-procurement system are being implemented. PPS has also held in June, jointly with ADBI and UNESCAP, the International Conference on e-Procurement in Seoul. The conference showed the project's endeavor to further develop e-procurement and spread it to all corners of the world. The conference served as an invaluable opportunity for PPS to provide direction for the development of procurement administration in each country. This effort includes the use of the e-procurement system, rather than the simple PR for GePS. In addition, PPS has obtained the BS15000, the International IT Service Management Standard, which adopts the Information Technology Infrastructure Library (ITIL), a directory of IT infrastructures, services and software.

Still, some developing countries have found introducing the e-procurement system difficult. This is due to the lack of a budget or technology, even though the countries strongly recognize the need to introduce a transparent and effective e-procurement system. To resolve this problem, PPS has introduced the GePS and suggested a cooperation model that includes providing consultation services and seminars. This suggestion was made during visits to the World Bank, the Inter-American Development Bank, and the Asian Development Bank. The international financial institutions have expressed keen interests in engaging in active cooperation.

The success of international cooperation is possible because PPS has closely collaborated with other governmental organizations, including the Ministry of Foreign Affairs and Trade, the Ministry of Finance and Economy, and the Ministry of Information and Communication. The support from the Korea IT Industry Promotion Agency has also greatly contributed toward the international cooperative activities.

PPS has a keen interest in using e-procurement to innovate government procurement. To that end, it is focused on expanding international cooperation. ❁

The Public Procurement Service contributed this article.

Korean GePS

