Research and Policy Development Consultation Meeting

on e-Procurement for Innovative Governance

10 - 11 March 2011

Seoul, Republic of Korea

TABLE OF TECHNICAL INPUT

NAME: Dr. Seung-Hyun Kang

DATE: March 2011

Participants may use as much space as deemed necessary in filling out the following sections.

1. Merits and Problems of Existing e-Procurement Systems

A) *Kindly list three or more **merits** shared by the existing public e-procurement systems. In what way have they been successful in promoting innovative governance? Please include short remarks to provide their contexts (developmental stage, geographical scope, legal and institutional background, etc.).*

In Korea, Public Procurement Service, which is the central government procurement agency, is operating Korean online e-Procurement System(KONEPS). This system is characterized by following three features :.

○ Integration

KONEPS handles entire procurement processes online from bidders' registration, bid acceptance, bid evaluation, contracting, delivery/inspection, and through to final payment for the delivered goods.

○ One-stop service

Because it is linked to all the relevant external organizations' systems, KONEPS provides one-stop service. For example, it can evaluate bidders' qualifications by using data available at the relevant associations.

○ Single window

KONEPS is used by all the public procurement organizations in Korea. All the public tenders are required to be published on KONEPS. One time registration with KONEPS suffices bidders to participate in all public tenders. More than 70% of total public procurement is done through KONEPS.

Due to these characteristics, KONEPS has achieved the following innovative governance in the public procurement sector.

(1) Cost Reduction

In Korea, thanks to the operation of the Korea Online e-Procurement System (KONEPS), procurement-related costs have been reduced sharply in the entire public procurement sector throughout the whole procurement cycle. This cost saving is being made on the part of both suppliers and government buyers. Roughly speaking, the saving amounts to 8 billion US dollars per annum.

(2) Increased Productivity

Productivity of procurement officials has been enhanced to a great extent. The number of contract cases handled by each procurement officials after the establishment of e-Procurement system has increased five times compared with the number before the implementation of e-Procurement system.

(3) Decreased Corruption

According to the survey conducted for suppliers who are doing business with public procurement entities in Korea, the illegal practices including the leakage of critical tender information has been sharply reduced. This is supported by the fact that the cases of criminal charges against suppliers and procurement officials have been diminishing dramatically.

(4) Reduced Purchasing Price

Because it has become much more easier for suppliers to participate in public tenders through e-Procurement system, the competition among suppliers has increased, thus leading to the decrease of purchasing price for government buyers.

(5) Contributions to SMEs

SMEs are being given more opportunities to get the government contracts due to their increased participation in public tenders which is made possible by easy and convenient access to public tender information.

B) *Kindly list three or more __major problems__ shared by the existing public e-procurement systems. In what way have these problems been proved obstacles to advancing government efficiency, transparency and participatory governance? Please indicate concrete examples to provide details.*

Although it is true that KONEPS is evaluated as one of the most advanced, integrated, and efficient e-Procurement systems in the world, it still has some problems. Some of   these

problems are currently being resolved. Our solution schemes are expected to serve as a useful reference for other countries who are experiencing similar problems in operating their e-Procurement systems.

(1) Difficulty of blocking unqualified suppliers from entering the e-Procurement system at the outset : Expansion of linkage with relevant systems

(2) Difficulty of preventing collusion among bidders before they enter e-procurement system

(3) Difficulty of preventing illegal remote- controlled use of other bidders' PCs to participate in tenders : Technical improvement to block this illegality

(4) Difficulty of preventing illegal rent of other bidders' authentication certificates : registration of bio fingerprint of representative bidders of each supplier company

2. A Common Framework / Toolkit for e-Procurement in Developing Countries

*UNPOG (United Nations Project Office on Governance) and DPADM (Division for Public Administration for Development Management, UNDESA) will jointly design a common framework and/or toolkit which aims to provide developing countries with a comprehensive set of strategic guidelines to advance e-procurement for innovative governance. In light of the existence of similar toolkits available in other organizations (such as multilateral development banks), and taking into account our necessity to avoid possible redundancies, kindly provide three or more **technical recommendations on how to develop such a common framework/ toolkit with added values**.*

We have an e-Procurement establishment toolkit written in Korean. It will take a little while to translate this material into English.

3. Recommended Methodologies for Data Collection and Analysis

*Following the conclusion of our consultation meeting (10-11 March), UNPOG and DPADM will undertake data collection and analysis on the e-procurement status of the United Nations member states. The information to be collected will include legal, administrative, managerial and other diverse institutional aspects of their public e-procurement status, including relevant cases of innovative governance. Kindly suggest three or more ideas on **the approach and/or methodologies** to be used in this data-gathering and analysis.*

We have worked out a questionnaire for feasibility study designed to help establish e-Procurement systems in developing countries. This questionnaire will serve to collect

information regarding general aspects of e-Procurement. Actually, this questionnaire has been already used in helping establish e-Procurement systems in Vietnam, Costa Rica, and Mongolia. (Please refer to the attached material to be sent by a separate email)

In addition, we suggest the following general approach method to collect information on public procurement.

(1) Hosting of conferences including workshops and seminars where participants are required to report on the general aspects of e-Procurement systems and fill out the prearranged questionnaires regarding the same subject

(2) Co-hosting of international e-Procurement events with MDBS

(3) Obtaining already available reports, research papers, and survey materials published by MDBs and international organizations

(4) Exchanging information with regional procurement networks such as PPN, PEPPOL, SOLVIT, and EuLab in Europe, IGPN in Central South America, and CCPN in Africa, etc

(5) Exchanging information with procurement research institutes such as :

 - PPRC(Public Procurement Research Center): Florida Atlantic Univ.NIGP

 - Public Procurement Research Group : Nottingham Univ.

 - Public Program Law Program : George Washington Univ.

 - Consip Procurement Research Center : Major player in EU Procurement Area

 - Plan(Procurement Law Academic Network) : supported by EU Commission Asia Link Programme

(6) Exchanging information with organizers of international procurement conferences including :
 - IPPC (International Public Procurement Conference)
 - IRSPP (International Research Study of Public Procurement)
 - Global Revolution Conference (Nottingham Univ.)
 - Public Procurement Conference of the Americas : organized by GSA, CCC, NIGP, FAU
 - Asia Public Procurement Forum hosted by ADB
 - Multilateral Cooperation Meeting on Government Procurement co-hosted by governmental organizations of USA, Canada, UK, Italy, and Chile
 - Global Conference on e-GP hosted by MDBs
 (7) Exchanging information with procurement associations and academic societies including

 - ISM (Institute for Supply Management)

– NIGP (National Institute of Governmental Purchasing)

– IFPMS (International Federation of Purchasing and Supply Management)

– PMAC (The Purchasing Management Association of Canada)

4. Country Surveys

In order to facilitate the above-mentioned data collection and analysis, UNPOG and DPADM plan to undertake **country surveys**, *starting first with the* **member states in Asia and the Pacific**. *The compilation of these analytical surveys will lead to the formulation of a 'regional inventory of e-procurement systems for innovative governance' in Asia and the Pacific. Kindly list 3 or more concrete recommendations for preparing the* **requisite questionnaires**.

Our questionnaire described in our answers given in Item No. 3 will be able to serve its purpose here in this Item too.

5. Past and On-going Initiatives *optional

Briefly list three or more **major (past and on-going) initiatives** *undertaken by multilateral agencies to assist governments, particularly of developing countries, in advancing innovative governance with the application of an e-procurement system. How have they contributed to advancing e-procurement systems? What specific approach have they employed in promoting innovative governance? For each initiative to be listed, kindly provide its title and short descriptions, as well as the name of the agency in charge.*

- Asia Public Procurement Forum : ADB
- Multilateral Cooperation Meeting on Government Procurement : co-hosted by governmental organizations of USA, Canada, UK, Italy, and Chile
- Global Conference on e-GP : hosted by MDBs
- IPPC : International Public Procurement Conference
- IRSPP : International Research Study of Public Procurement
- Global Revolution Conference : Nottingham Univ. UK
- Public Procurement Conference of the Americas : hosted by GSA, CCC, NIGP, FAU