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Korea's Procurement Policy & System

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Public Procurement Service



I Introduction of Public
Procurement Service (PPS)

II Introduction to
PPS Policy and System

1. Introduction of Public Procurement Service (PPS)



01 Introduction of Public Procurement Service



Goods, services and construction contracts

- ✓ Procurement and supply of goods (services) and public facilities required by public institutions
- ✓ 37T KRW (27B USD) in goods and services, 14T KRW (10B USD) in facility construction in 2023

Stockpiling raw materials

- ✓ Timely stockpiling and release of major raw materials such as aluminum to stabilize domestic supply and demand for raw materials
- ✓ 700B KRW (51k USD) in 2023

Management of government goods state-owned property

- ✓ Managing nearly 23T KRW (17B USD) (16 million items) worth of government-owned goods
- ✓ State-owned property management to improve utilization of state-owned property

KONEPS operation and management

- ✓ Serving as a single point of contact for public e-procurement through the Korea ON-line E-Procurement System (KONEPS), used by 69,000 public organizations and 569,000 suppliers

02 Roles of PPS



Execute strategic policy

- ☑ Foster new industries through public procurement
- ☑ Support government policy initiatives for the economy stimulation, including economic adjustment and employment growth

Ensure fairness and transparency in public procurement

- ☑ Combat unfair procurement practices through improved systems, institutions, and monitoring
- ☑ Gain transparency by disclosing information about the entire procurement cycle

Support SMEs and venture companies

- ☑ Specialized support for SMEs, venture companies, and disadvantaged businesses
- ☑ Help finding public procurement markets domestically and throughout the world

03 PPS Vision for 2024



Support the Economy by Establishing Public Procurement Basics



A Dynamic Procurement Marketplace Full of Vitality A friend to SMEs and venture companies

- ▶ Stabilize the economy and accelerate economic recovery
- ▶ Create a favorable environment for business with a regulatory reform
- ▶ Create an innovative procurement ecosystem where new industries thrive
- ▶ Go beyond international markets to open new export markets with global procurement

Public procurement with principles and fundamentals Back to basics

- ▶ Preempt supply chain crises by bolstering raw material stockpiles
- ▶ Establish a fair and transparent procurement order by eliminating unfair procurement practices
- ▶ Manage procurement materials with quality and safety as a priority
- ▶ Secure your procurement platform and successfully launch the next generation KONEPS

Advancing public procurement infrastructure

- ▶ Build advanced procurement infrastructure in response to structural change

04 PPS Personnel and Organization Chart

Organization

HQ

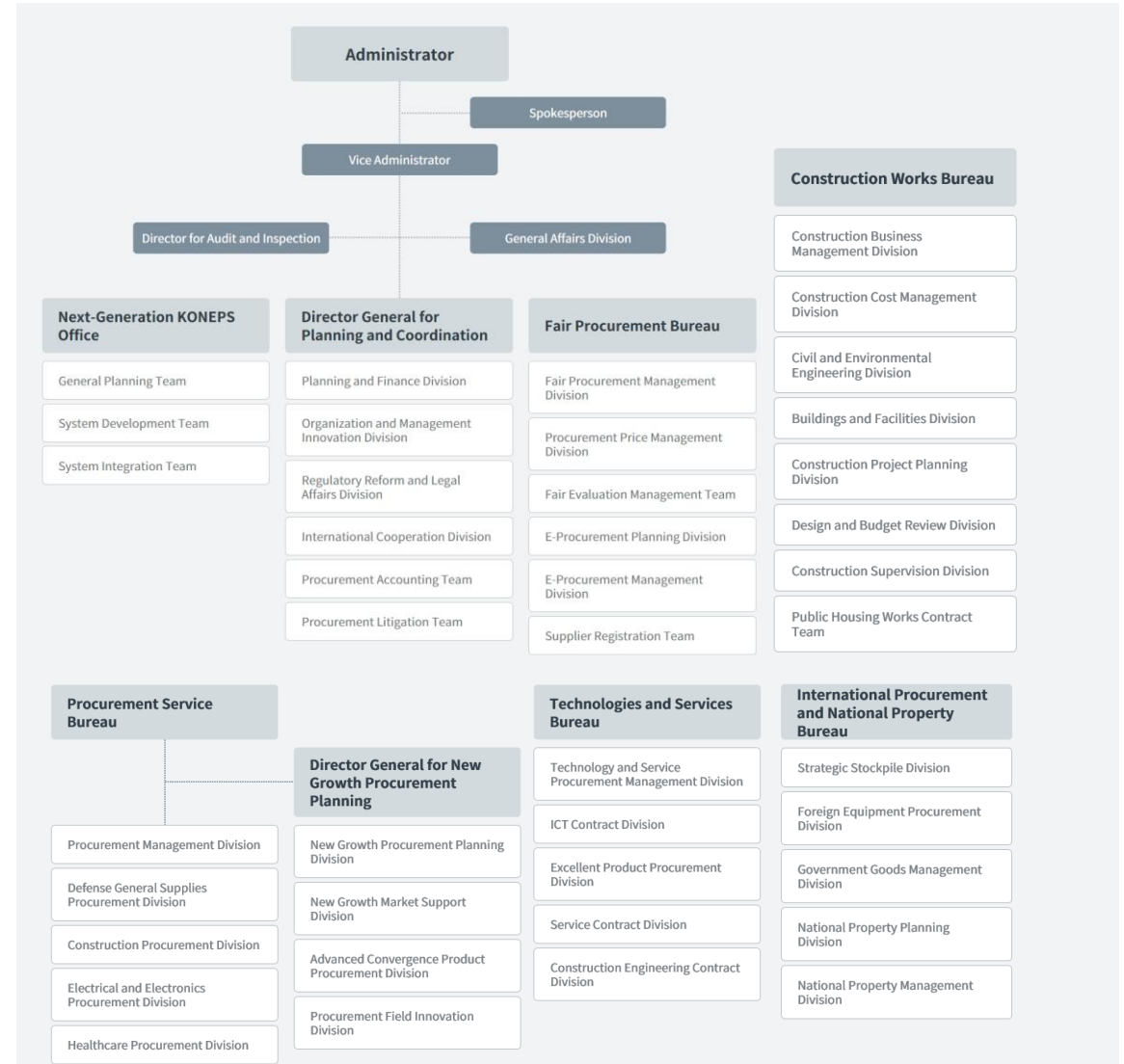
7 Bureaus, 1 Task Office,
36 Divisions, 8 Teams

Affiliated Organizations

2 Offices, 11 Municipal Offices,
36 Divisions, 3 Teams, 1 Center

Total Personnel

1,118
(573 in HQ / 545 in the affiliated)



05 Priorities | Innovative Procurement

Utilizing Public Purchasing Power to Support
Technology Innovation and Growth

Innovative Procurement



(Introduced in) 2019
(Size of Supply) 273B KRW(200M USD)
(No. of Products) 1,858
(2023)

Introduction

- ❖ The government serving as the first buyer of innovative products, driving innovative growth and improving the quality of public services, including technological innovation and greater market access.
 - **Basis** : 「 Government Procurement Act 」 Article 27, 「 Enforcement Decree of the Act On Contracts To Which The State Is A Party 」 Article 26

Strategy for 2024

- ❖ **Maximize business effectiveness by improving the identification, purchase, and after-sales management of innovative products**
 - Identify strategic demand areas and products for public convenience, establish a comprehensive plan for pilot purchase of innovative products, and check qualification maintenance
- ❖ **Support innovative products' export through overseas demonstration and expansion of ODA projects**
 - Significantly expand overseas demonstration projects and link ODA projects with overseas expansion of innovative procurement companies

05 Priorities | Excellent Product

Select and supply
products with excellent quality

Excellent Product



(Introduced in) 1996
(Size of Supply) 4.7T KRW(3.4B USD)
(No. of Products) 6,080

(2023)

Introduction

- ❖ A system to support public sales of products with outstanding technology, quality, and performance manufactured by SMEs and drive technological development
 - Basis : 「 Government Procurement Act 」 Article 26, 「 Enforcement Decree Of The Act On Contracts To Which The State Is A Party 」 Article 26

Strategy for 2024

- ❖ Improve contract system to strengthen the technical capabilities of excellent procurements
 - Introduce a technology history system and set new metrics for tech utilization, usability, etc.
- ❖ Ease the burden of Excellent Government Procurement Products companies by helping crisis recovery
 - Extend support period for production disruptions due to natural disasters, raw material shortages, etc.

05 Priorities | Multiple Award Schedule(MAS)

End-users select and purchase
from various similar products

Multiple Award Schedule (MAS)



(Introduced in) 2005

(Size of Supply) 18.3T won(13.5B USD)

(No. of companies) 11,647

(2023)

Introduction

- ❖ Entering into unit price contracts for products of equal or similar quality, performance, efficiency, etc. for products required by multiple end-users.
- ❖ A contract system that allows end-users to freely select and purchase by registering on KONEPS shopping mall.
 - Basis : 「Government Procurement Act」 Article 13

Strategy for 2024

- ❖ **Ease the burden on MAS contractors**
 - Exempt Disadvantaged Business Enterprises from submitting performance data
- ❖ **Accelerate site regulatory mitigation for suppliers**
 - Reduce regulations such as suspension of sales, interim inspections, and changes to delivery requirements

05 Priorities | Stockpile

Stabilize domestic supply of key commodities such as raw materials

Stockpile



(Introduced in) 1967
(Size of Supply) 700B KRW (505M USD)
(2023)

Introduction

- ❖ The government directly purchases and reserves raw materials, daily necessities, etc. for short- and long-term supply and price stabilization.
- **Basis :** 「Government Procurement Act」 Article 13

Strategy for 2024

- ❖ **Preempt supply chain crises by bolstering raw material stockpiles**
 - Increase stockpiles of non-ferrous metals* (6 types) and economic security items**
 - * Aluminum, copper, zinc, lead, tin, nickel
 - ** Urea, activated carbon, calcium chloride, fluorite
 - Expand stockpile infrastructure, build new and modernized stockpile bases and diversify stockpile methods to enhance medium- to long-term stockpile capacity

Introduction to PPS Policy and System



CHAPTER

II-1

Core Policy

01 | Regulatory Reform in Procurement

02 | Guide to Public Procurement for SMEs to Expand Their Access to Procurement Markets("Procurement Sherpa")

03 | Enhanced Response to Breaches of Competitive Minimum Fair Prices(CMFPs)



01 Regulatory Reform in Procurement



Objective

- ✓ A vigorous regulatory reform to create a better place to do business

Features and Benefits

- ✓ Drastic changes to key regulations that require fundamental changes to the system
(Uniform application of unfair regulations, newcomer assessment, etc.)
- ✓ Accelerate on-site regulatory mitigation for suppliers
(double paperwork, redundant procedures, etc.)

Achievements

- ✓ By the end of 2023, 179 out of 206 found issues resolved
(138 in '22 and 68 in '23) (86.8% fulfillment rate)
- ✓ Establishment of the "Voice of Site Responsibility Implementation TF"
to track regulatory reform + α to the end (Feb. 2024)
- ✓ Identified 53 issues through Thorough Survey of Procurement Regulation in
H1 2024

02 Guide to Public Procurement for SMEs to Expand Their Access to Procurement Markets ("Procurement Sherpa")



강원조달청, '동양아이텍' 이음장터 입점... 공공조달 길잡이 '첫 성과'

머니투데이 | 강원=허재구 기자 2024.03.29 13:55
<https://news.mt.co.kr/mview.php?no=2024032913191464444&type=1> 기사주소 복사

! 공공조달시장 진입부터 성장까지 튼튼한 기반 갖출 수 있도록 지속 지원



이병철 강원지방조달청장(왼쪽 첫번째), 강원회 공공조달길잡이(왼쪽 두 번째), 고희만 동양아이텍 대표(왼쪽 네 번째) 등이 강원지방조달청 '공공조달길잡이' 상담실에서 동양아이텍의 공공조달시장 첫 번째 진출을 축하하기 위해 기념촬영을 하고 있다. /사진제공=강원지방조달청

Objective

- ✓ Actively identify companies that want to participate in public procurement and provide one-stop consulting services from experts for the entire market process (venture ⇒ innovation ⇒ excellence ⇒ MAS ⇒ G-PASS company)

Features and Benefits

- ❖ Helping excellent tech companies access public procurement Full-scale consultation via visit, phone, and email
- ✓ Providing consulting and information for novice suppliers
 - Customized consulting for company needs
 - Operating a specialized consulting room and information center
- ✓ Establishing a responsible post-management system
 - Providing feedback on post-consulting status
 - Actively detecting procurement site regulations
 - Providing information on support policies from ministries and local governments

Achievements

- ✓ Mar. 13, 2024 : Guide to Public Procurement Launching Ceremony
- ✓ Mar. 29 : First success case of entering the E-um Marketplace through customized consulting from the PPS Gangwon Regional Office

03 Enhanced Response to Breaches of Competitive Minimum Fair Prices (CMFPs)

Objective

- ✓ Reinforced response to violations of the obligation to maintain minimum fair prices for products registered on KONEPS Shopping Mall, which requires procurement contract prices to be kept equal to or lower than market prices



Features and Benefits

- ❖ Strengthening investigations and penalties to stop MAS contract prices from being higher than the reference price
- ✎ Securing fairness and transparency in the public procurement market
 - (Investigation of complaints)** Maximize available manpower, expedite investigations, and increase rewards for complainants
 - (Response to violation)** Exempt from the debarment period reduction rule in cases where the supplier is at fault
 - (Price checks)** Up to three price checks per year for 66 products and 6,261 specifications, and checks for violations of same or similar specifications
 - (Improved education)** Enhance mandatory basic training for entering MAS contracts, and establish training on unfair practices and penalties for violations

Achievements

- ✓ Ensure fairness and transparency in public procurement markets by sending clear signals to the market through strict responses to violations
- ✓ Build a public procurement market that is faithful to principles and basic order

CHAPTER

II-2

Major Key System

- 01 | Strengthen support for suppliers (Inno-KONEPS, Venture Mall, and Digital Service Mall)
- 02 | Enhance procurement transparency and fairness
(evaluation committee management)
- 03 | Support procurement procedures and contract management
(e-order, contract performance verification)



01 ① Inno-KONEPS



**Fixed station-based
unmanned operation
system for drones**



**UV sterilization
stopper**



**Chest X-ray medical
image reading
assistant solution**

Definition

- ✓ A cross-government, innovative procurement platform that supports every step of the process

Features and Benefits

- ✓ **(Innovative Products Mall)** Excellent research and development, innovative prototypes → Open marketplace for free registration and trading
- ✓ **(Innovation Demand and Supply Community)** Public institutional demand for innovation and innovative products → Public service improvement
- ✓ **(R&D Demand Survey Integration)** Scattered R&D projects by ministries → Provide integrated demand survey window
- ✓ **(Supporting the system informatization)** New innovation procurement system → Convenient and fast online access

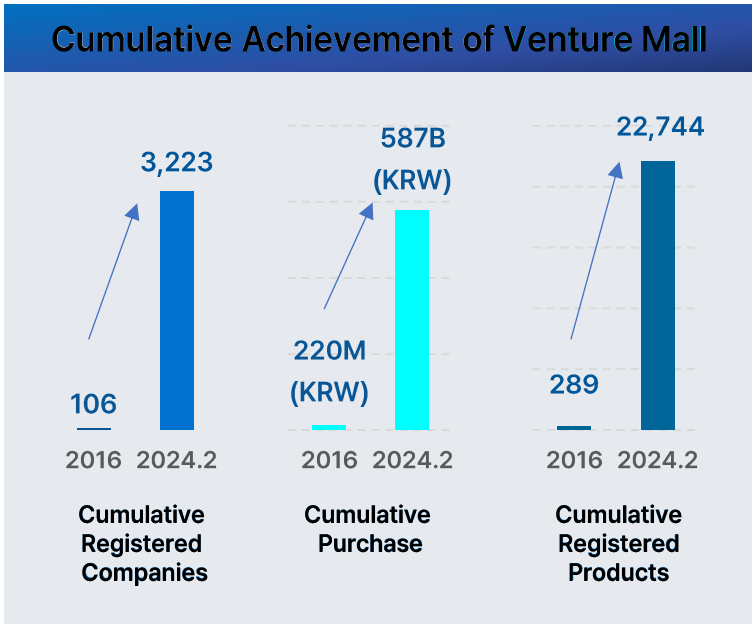
Achievements

- ✓ Significant increase in the number of annual users (160,000 in '22 → 1.2 million in '23)
- ✓ 1,858 innovative products registered and 273B KRW(200M USD) in cumulative pilot purchases

01 ② Venture Mall



Venture Mall Performance in 2023



Definition

- ✓ Dedicated mall for preemptive purchases of leading tech startups' and ventures' products to help them enter new markets and build a foundation for growth

Features and Benefits

- ✓ Entry into the procurement market based on technology and quality alone, without past performance or business status score (e.g. credit rating)
- ✓ Deliveries to public institutions (estimated price less than 20M KRW, 15k USD) through direct orders from the end-users without a separate contract process with PPS for up to 5 years after Venture Mall registration

Achievements

- ✓ Launched in October 2016, Venture Mall has grown to a marketplace with 3,223 companies, 22,744 products, and 587B KRW (434M USD) in cumulative transactions.
- ✓ Venture Mall's sales performance serves as a stepping stone for growth; a total of 460 companies have entered the larger markets of Innovative Products (223 companies), Excellent Products (81 companies), and MAS (123 companies), etc.

01 ③ Digital Service Mall

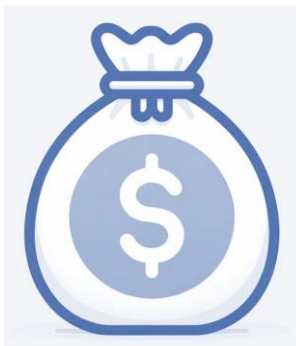
Definition

- ✓ **A shopping mall built to conveniently purchase related products in one place to introduce new IT technologies such as cloud, artificial intelligence, and commercial SW to the public market and expand their demand.**



Registered products
5,800

Sales performance
1.97T KRW
1.4B USD



Features and Benefits

- ✓ **(Comprehensive IT shopping mall)** Concentrates IT technology-related products such as digital services on one site and provides various contract methods such as catalog contracts and third-party unit price contracts (optional)
- ✓ **(End-user convenience)** Provide conveniences such as digitization for third-party unit price contracts (online technology negotiation), products of interest through My Page, and FAQs.
- ✓ **(Supplier convenience)** Provide IT bidding information service that summarizes pre-specifications and announcements related to IT goods and services in connection with KONEPS

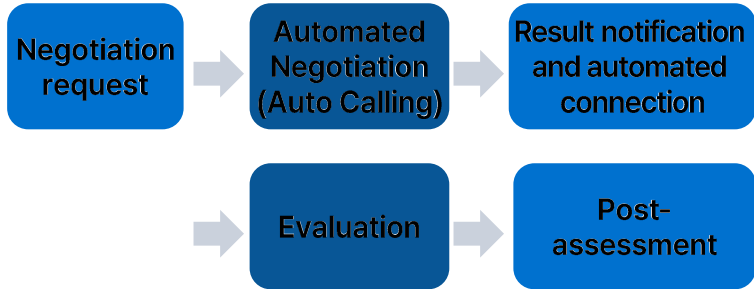
Achievements 5,800 registered goods and services

✓ Sales Performance

	2022	2023	Cumulative Total
Commercial SW	655B KRW(473M USD)	977B KRW(705M USD)	1.63T KRW(1.2B USD)
Digital Services	233B KRW(168M USD)	107B KRW(77M USD)	340B KRW(245M USD)
Total	888B KRW(641M USD)	1.08T KRW(782M USD)	1.97T KRW(1.4B USD)

02 Evaluation Committee Management System

Evaluator bargaining process



Definition

- ✓ An integrated system for recruiting and managing evaluators for procurement evaluations, automated negotiation, and external offer

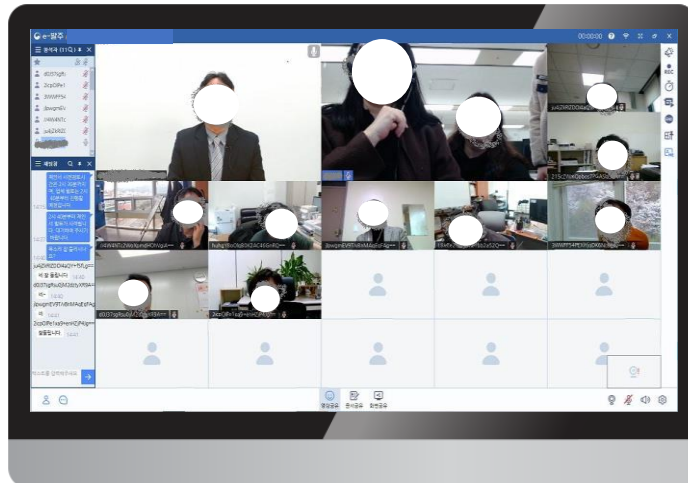
Features and Benefits

- ✓ **(Fairness ↑)** Establishment of a 'triple management system for evaluators' (Evaluator History Management System, Evaluator Monitoring Group, Evaluator Reporting Center)
- ✓ **(Expertise ↑)** Diverse and flexible evaluation categories, provision of negotiation conditions, and constant supervision of evaluator qualifications
- ✓ **(Convenience ↑)** Provide mobile system for evaluators and external system for end-users

Achievements

- ✓ 7,300 active evaluators (3,637 negotiations and 25,838 negotiators in 2023)
- ✓ Providing PPS evaluators to other organizations (394 organizations, 1,194 negotiations, 8,358 negotiators as of the end of 2023)
- ✓ Expanded joint utilization of evaluators with central administrative agencies and public institutions
 - ❖ Statistics Korea, Postal Business Procurement Center, SR, etc.

03 ① e-Order System



Definition

- ✓ An online system for the entire procurement process, from proposal request and proposal to evaluation.

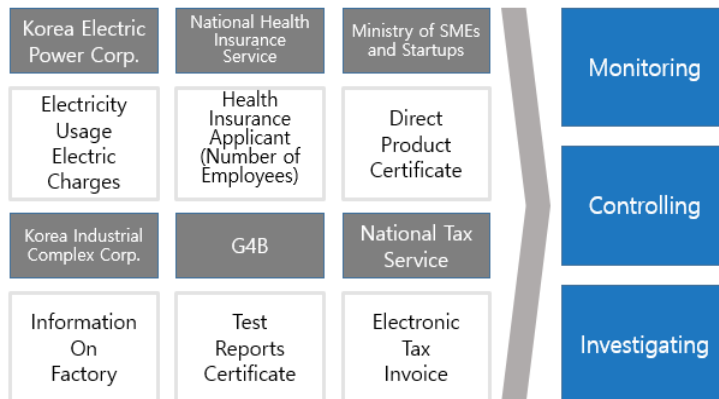
Features and Benefits

- ✓ **(Online Proposal Submission)** Proposals and other materials submitted by suppliers online (no need to visit)
- ✓ **(Online evaluation site)** For proposal evaluation, evaluators and suppliers can participate online without the need to travel to the evaluation site
- ✓ **(Convenience features)** AI-based RFP writing and diagnostic tools, electronic document linkage, and proposal tables provide convenience for suppliers and evaluation committee members

Achievements

- ✓ Reduced procurement and order costs* by creating an online evaluation culture * RFP writing costs, evaluation fees, travel expenses, proposal printing, etc.
- ✓ Expanding online evaluations to increase available evaluators and their expertise
- ✓ Improved productivity by providing AI-based RFP writing and diagnosis tools
* Submitted to the OECD Public Governance Committee (PGC) for the Best Practice Competition

03 ② Contract Performance Verification System



Definition

- ✓ A system monitoring, controlling and investigating unfair practices in public procurement market

Features and Benefits

- ✓ **(Monitoring direct production violations)** Using information linked to employment and electricity consumption
- ✓ **(Monitoring price inflation)** Utilizing the National Tax Service's electronic tax invoice information
- ✓ **(Preventing forgery of test reports and certificates)** Linking test report and certificate information with G4B

Achievements

- ✓ Identified 264 companies in the last three years for unfair procurement practices, including direct production violations, non-compliant deliveries, and violations of country of origin.

Thank you

Q&A

