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Applying Innovation and Technology to Reduce Corruption in Public Procurement

Experiences of Korea

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Public Procurement Service

01 Public Procurement and Corruption

02 Anti-Corruption Measures on KONEPS



01

Public Procurement and Corruption

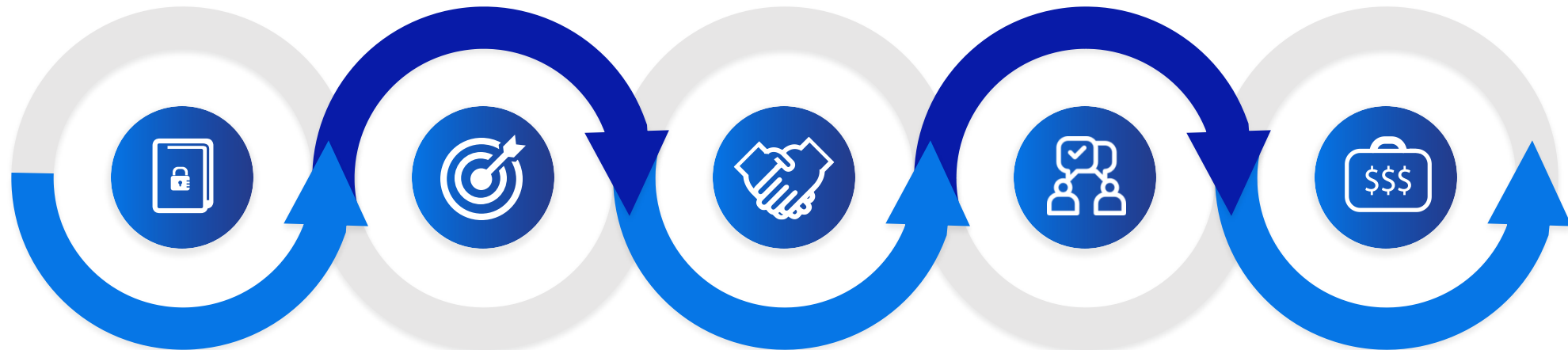
Corruption in Procurement

"Over \$400 billion is lost annually to bribery and corruption in public procurement"

- Transparency International -

"An estimated \$1.5 trillion, or 2% of global GDP, is spent on bribes annually—ten times the value of overseas development assistance."

- Combating Corruption, The World Bank -



Private
Bid Notice

Bid Rigging

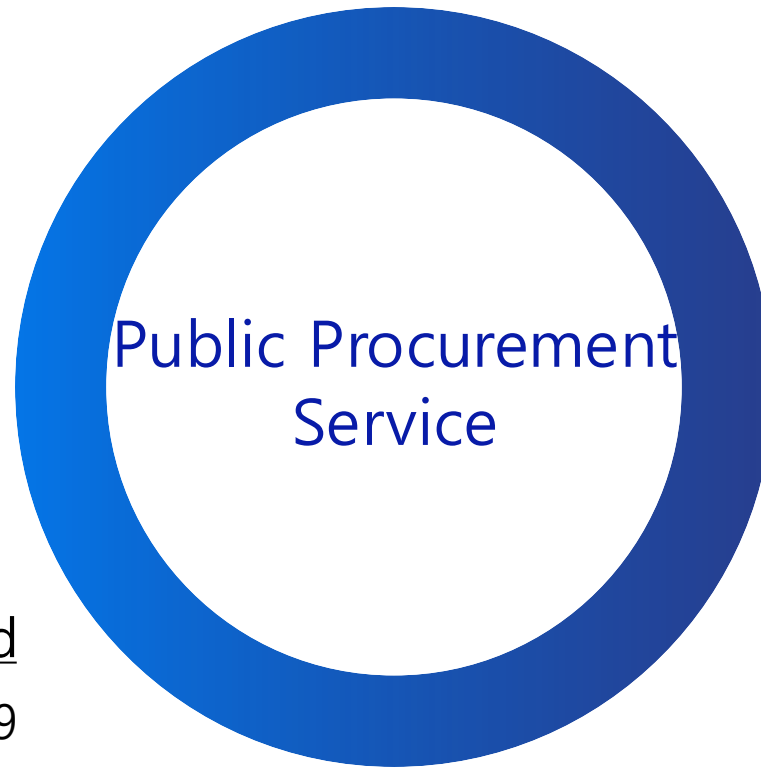
Chumocracy

Lack of
Surveillance

Bribe

Undermine Budget Efficiency, Public Service Quality, and Private Sector
Competitiveness

Introduction of Public Procurement and Corruption



1990s

Reforming Public Procurement
Introducing e-Procurement System

Main Goal

Enhancing transparency
and efficiency
while curbing corruption

Established
in 1949

Korea's central procurement
agency
Overseeing procurement policies
and systems

Introduction of Public Procurement and Corruption

PPS

- Annual transaction for a 200T KRW (148B USD) in public procurement market, serving 570,000 suppliers and 70,000 end-users
- Friend to small to medium-sized businesses
- Growth ladder supported by public financing

Procurement of
Goods/Services/C
onstruction

Raw Materials
Stockpiling

Government Goods/
State-Owned Property
Management

KONEPS
Operation and
Management



02

Anti-Corruption Measures on KONEPS

Before Tender Notice Preliminary Notice



- Contracting authorities are required to disclose purchase specifications in advance to tender notice [Government Bidding Execution Criteria Article 77]
- 5 days in advance via the e-procurement system

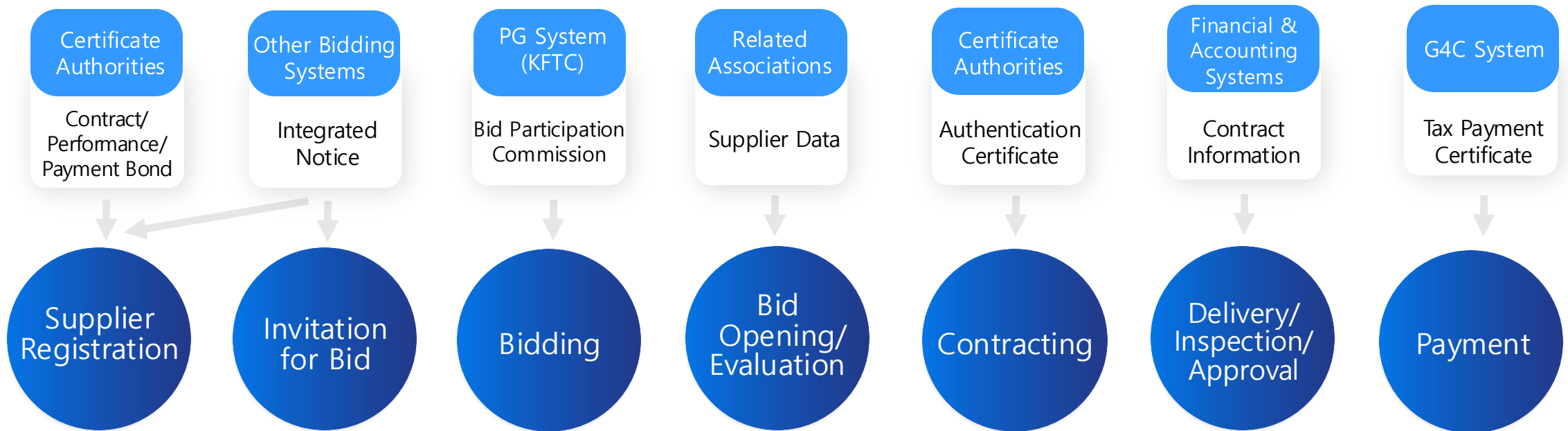
01

Challenge tender conditions before official notice

02

Raise objections to contracting officials in case of competition hindrance or preferential treatment

Bid Process KONEPS (Korea Online e-Procurement System)



- Entirely digitalized process
- Evaluation performed electronically
- Easy-to-search tender notices
- One-stop service integrated with 156 external systems

Bid Process

Technical Evaluation Committee Member Selection

01

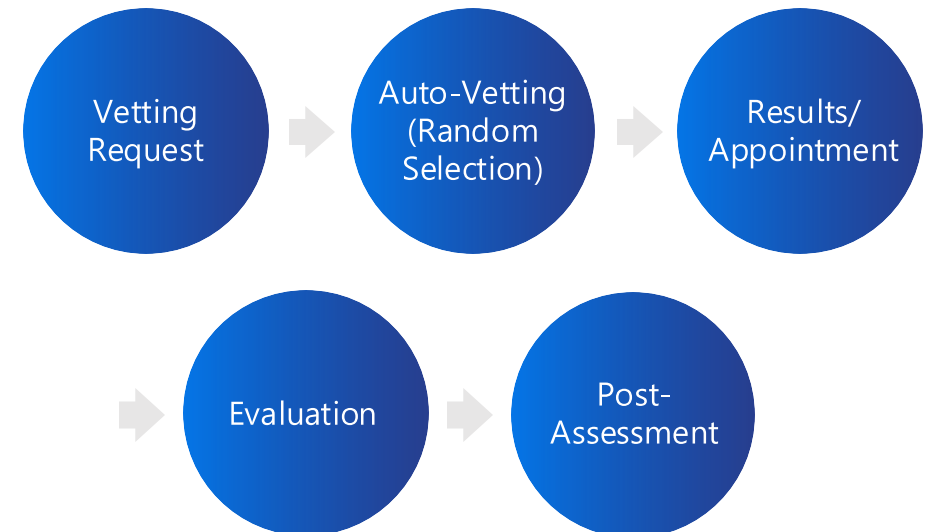
Purpose
Preventing corrupt practices in selecting members of the Technical Evaluation Committee

02

Contents

- Around 9,000 online-registered external evaluators actively involved
- Members selected through an online random selection system
- Evaluator list announced 30 minutes before evaluation

Evaluator Vetting Process



Evaluation Committee **Safe from Lobbyists**

Bid Process Collusion Statistics Analysis System

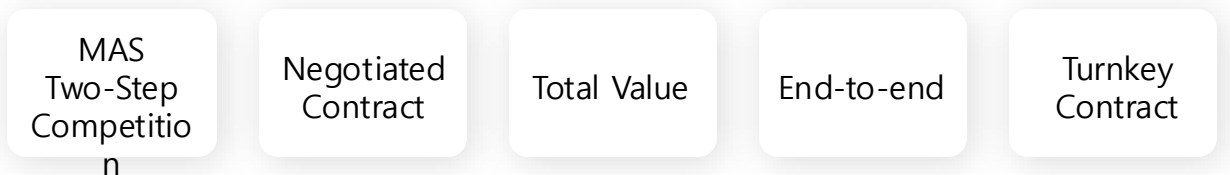


A system that automatically extracts suspected collusive contracts for goods/services

Contents

- Automatically extract collusive bidding based on the number of participants, bidding rate, and participation history
- Perform in-depth evaluation by referring the provided data to the Korea Fair Trade Commission (KFTC)

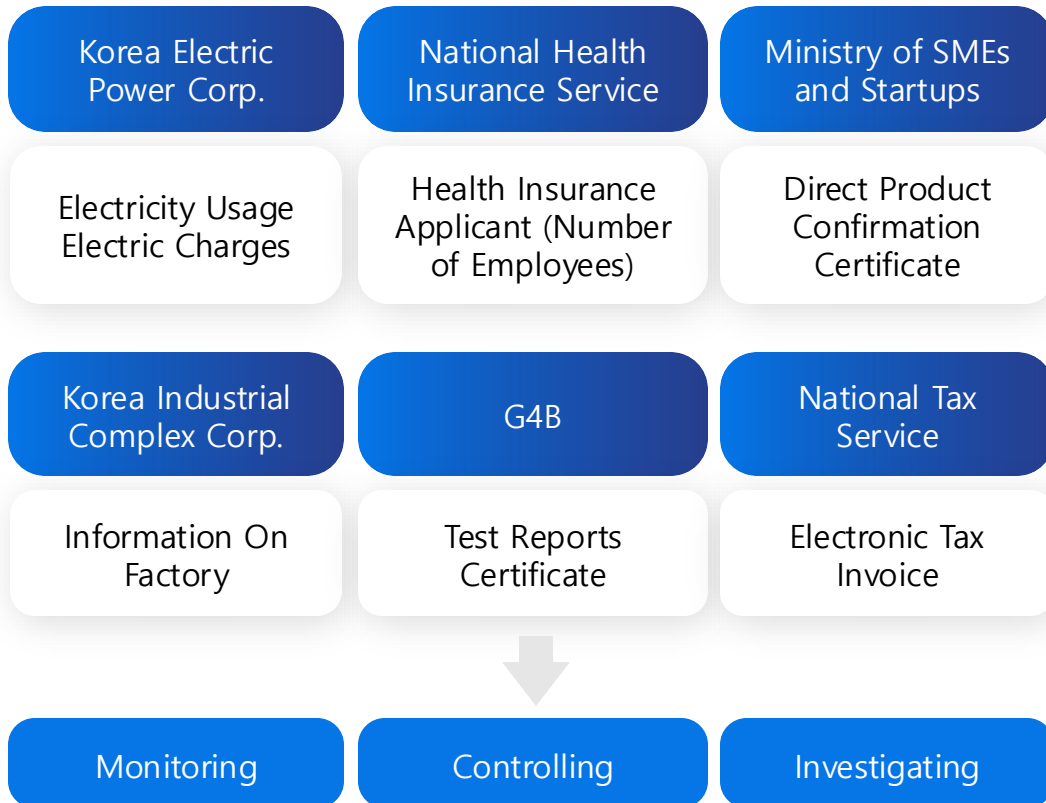
5 Key Areas of Focus



Provides **Early Warning** and a **Fair Competition Environment** by Identifying Patterns of Fraudulent Behavior via Data Analysis

After Bid Process Contract Performance Verification System

Sharing Information



01

Definition

A system that monitors/controls/investigates unfair practices in the public procurement market

02

Features and Benefits

- Monitor production violations using data from Korea Electric Power Corporation (KEPCO) and National Health Insurance Service (NHIS)
- Monitor price inflation using tax invoices from National Tax Service (NTS)

Conclusion

01

Use of Online system

Introduce new anti-corruption policies and measures on a regular basis

02

Cooperation with Related Agencies

Address corruption-prone areas in close cooperation with agencies like the Fair Trade Commission (FTC) and the Anti-Corruption & Civil Rights Commission (ACRC)



Prone to corruption due to large fund management, public procurement has seen improved fairness through PPS's reforms and digitalization, with further progress underway



Thank you

Q&A