The Role of Technology in Preventing Corruption

26 SEP 2022  Amman
Public Procurement and Corruption

- One of the most vulnerable sectors
- Abusing discretion on procurement process
Risk of Corruption

Why does it matter?

- Reduce budget efficiency
- Compromises the quality of service
- Weaken competitiveness of private sector business
- Distrust in government

Complex of the process

- Closed information
- Stakeholders
Prevention of Corruption

- **1997**: Joined WTO Government Procurement Agreement and Upgraded the System to Global Standards (1997)
- **1980**: Carried Out a Massive Crackdown on Corruption in the Early 1980s
Practice on Policies

Process: Offline → Online

- New base for integrity from the root
- Project management information system even on construction site

Constant Amendments: Eliminate Discretionary Power

- Guidelines when determining contract method
- Strengthening quality control and inspection
- Experts from out of office join in decision-making procedure
- Review bids with excessively low prices

Preventions and Penalties

- Written integrity pledge is a must
- Harsh punishment to both bribe provider and taker
- Activate Ombudsman
- Hotline
Ambition of E-Procurement

Productivity

Integrity
KONEPS - History

**Phase 1**
- Central Procurement System
- Electronic Data Interchange
- Limited Function

**Phase 2**
- G2B Online as one of 11 e-Government Project (2001)
- KONEPS Launch (2002)
- Shopping Mall Augmentation (2006)

**Phase 3**
- KONEPS Next Generation
- $10 Millions for renovation
- Optimization of numerous functions
Bidding Information Encryption

- Announcement
- Bidding
- Encryption
- Closing
- Decryption

Encryption Key

PPS

NIRS
Korean Multiple Award Schedule

Diagram showing the process of contract and order through K-MAS
2nd Stage Competition on Shopping Mall

Request for Proposal

Buyer selects suppliers and assessment

Submission

Suppliers submit proposals

Assessment

- Comprehensive
- Standards
Technical Evaluation

Professional Committee

Automatic Selection

Official Accountability
Price-fixing Statistical Analysis System

KONEPS

Database Bidding Contract

Search by Quantitative factor

Evaluation by Qualitative factor

Fair Trade Commission

Investigation

Confirmation

Accusation

Factor example:
- number of bidders
- document similarity
- winning rate
- deviation of bidding rate
- bidding and winning history
- report
Subcontract Management System

Buyer (public entity) -> Prime Contractor -> Subcontractor

Prime Contractor’s Share:
- Limited withdrawal

Subcontractor’s Share:
- withdrawal

Pay flow:
- Buyer to Prime Contractor
- Prime Contractor to Subcontractor
- Subcontractor to Prime Contractor
- Prime Contractor to Buyer
- Subcontractor to Subcontractor
- Subcontractor to Prime Contractor
Challenges

- Synergy: Policy and Technology
- Change of Perception: Spread Awareness
- Conflict with Systems or Stake Holders
- Review the Technical Aspects
THANK YOU

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