

Korea's combined approach of Green Public Procurement and Ecolabelling

Context and Objectives

1. Korea's green public procurement was first introduced in tandem with the Korea Eco-label under the Act on Development and Support of Environmental Technology of 1994. The state agencies were recommended to preferentially purchase products awarded the Korea Eco-label. However, it had remained inactive due to the limited number of ecolabelled products and the lack of monitoring system.
2. The green public procurement took a more concrete form when the Ministry of Environment introduced an Act on Encouragement of Purchase of Green Products (Hereinafter the Act of 2005) in 2005.¹ The state organizations - i.e. central and local governments and public organizations are obliged by the Act to submit an implementation plan on green purchase of the year and the performance records of the previous year to the Ministry of Environment at the beginning of each year.
3. A series of consultations among the line ministries, public organizations, experts, and the industry had been conducted to agree upon the gist of the Act of 2005. As part of it, it was concluded that the green public procurement is implemented in connection with the ecolabelling – i.e. Korea Eco-label and Good Recycled Mark in order to minimize the administrative costs required to set the green procurement standards by each institute.
4. The adoption of the Act of 2005 has been instrumental in stimulating the development of ecolabelled products in both quantity and quality by leveraging the public demands. The total public expenditure in green purchase more than tripled from 254.9 billion KRW in 2004 to 787 billion KRW in 2005, further rose to 1,727 billion KRW in 2012. In addition, the number of products certified by the Korea eco-label increased 3.8 times by 2012 compared to 2004.

Implementations

5. The government does not set the quantitative targets related to green public procurement, but make each state agency come up with its own voluntary target (e.g. estimated amount of green purchase and % of green purchase in relation to the total purchase of the year) and report it to the Ministry of Environment. The Ministry of Environment expects the green public market to grow by 1.5 times over the next three years by 2015.
6. The products and services applicable for green public procurement are defined by the Act of 2005 as a) certified or meeting the underlying criteria set by the Korea Eco-label; b) certified or meeting the criteria of the quality certificate for recycled

¹ The Act encompasses a variety of policy measures including green public procurement, voluntary agreement on business green procurement, and green retail store partnership program.

products (Good Recycled Mark); c) complying with other environmental criteria set by Ministry of Environment following consultation with the heads of relevant Ministries.²

7. According to the Act of 2005, the state agencies should purchase green products and services for which the ecolabel criteria exist. In 2012, there are about 870 umbrella organizations comprising about 30,000 subsidiary organizations subject to the Act. The green procurement can be made in two ways: a) each organization directly purchase green products and services. In case the total amount of purchase exceeds the certain threshold, the purchase is commissioned by the Korea Public Procurement Service (PPS), a centralized public procurement agency; b) each organization requires the contractors to purchase green products in delivering the services (e.g. construction, MRO service) via inserting special conditions or green specifications in the contract. The product groups incorporate various product categories ranging from electronic appliances, office supplies, and furniture to construction materials, etc.³
8. The Korea Environmental Industry and Technology Institute (KEITI), affiliated with the Ministry of Environment, is operating the overall GPP system and the Korea Eco-label. KEITI is in charge of collating green procurement implementation plans from the state agencies and monitoring the results. Furthermore, a variety of policies are also being exercised to supplement the GPP as follows:
 - Produce a guideline annually to inform the procurers of the green procurement and monitoring procedure;
 - Conduct trainings for procurers regularly and on demand;
 - Publish the case studies and hold workshops to feature the best practices;
 - Give national awards and incentives to the state agencies with good performances

Impact and monitoring

9. In order to keep track of the progress of the green public procurement, the three indicators are being monitored by KEITI: a) the number of public organizations that submit an implementation plan and performance records; b) the total amount of annual green procurement in economic value and units; c) green standards and specifications of the service contract and construction.
10. In order to collate data from the umbrella organizations, KEITI established an online platform called Green Products Information System (GPIS)⁴ in 2005 to make the

² The products applicable for GPP are 9,799 within 150 categories certified by the Korea Eco-Label and 247 within 16 categories certified by the Good Recycled Mark as of June 2013.

³ For further information about the eligible product groups:

(Korea ecolabel) <http://el.keiti.re.kr/enservice/enpage.do?mMenu=2&sMenu=1>

(Good Recycled Mark, only available in Korean) http://www.kats.go.kr/gr/GRcertify/GRRU02_2_1.asp

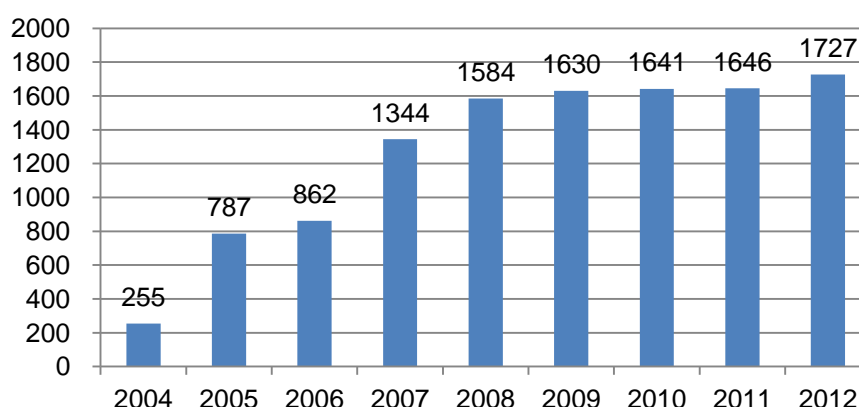
⁴ www.greenproduct.go.kr

monitoring and reporting process easier and convenient. Linked with the PPS's electronic procurement system, the records of the green purchases procured through the PPS are automatically transferred to GPIS. In addition to that, the records of the green purchases individually made by the organizations are added up if the respective organizations keep track of purchase data and upload them on GPIS.

11. In total, about 60 per cent of the national green procurement data is automatically reported via GPIS, which enormously reduces the administrative burdens of both procurers and KEITI in monitoring and compiling the results. An institutional arrangement between the key stakeholders such as PPS - a national procurement agency, Ministry of Environment, and the KEITI was instrumental in setting up an integrated e-monitoring system.
12. The compiled green public procurement data by each institution is uploaded at the website of Ministry of Environment and GPIS so that the public easily access and compare the results. In addition, once the data is disclosed, the results are usually covered by the major media in Korea, which serves as to encourage the competition among public organizations. In 2013, 96.4 per cent of the state agencies submitted their implementation plans and records and 97.7 per cent of the organizations report the performance records.
13. The total amount of green public purchase rose dramatically for the first few years after the adoption of the Act of 2005 and maintains steady growth. In addition, the economic, environmental, and social impacts of green public procurement are annually calculated by KEITI in order to communicate the benefits to the public.⁵ Up to date, the estimated reduction of CO₂ equivalent emission is 3.1 million tons, which can be translated into 54.5 billion KRW of economic savings. Social benefits are calculated in terms of 12, 143 new jobs.

<Table. Trends in total amount of GPP in Korea (unit: billion KRW)>

⁵ The environmental impacts are estimated as the amount of CO₂ emission reduction of the 19 product groups awarded the Korea Eco-label compared to conventional products. The impacts of GPP on job creation is based on the Employment inducement coefficient of 2005 that relates the increases in expenditure on green public procurement compared to the one of the previous year with number of jobs creation.



Challenges and risks

14. Green public purchases account for only 5 to 6 per cent⁶ of the total domestic procurement executed by the Korea Public Procurement Service. This is partly due to the relatively expensive price of the certain green products such as furniture and construction materials. In addition, complaint on the quality of the some green products is another barrier in hampering the market uptake of green products.
15. In Korea, there are several regulations on public procurement exercised in a fragmented way. Therefore, “green” procurement may not be a priority for some procurers or organizations in the face of a number of other criteria (e.g. energy efficient, socially responsible) competing with the green. Furthermore, given that those criteria are imposed by the different ministries to public organizations without coordination, the procurers shoulder the burden of reporting the records to the different ministries.⁷

Key lessons learned for successful implementation

16. The green public procurement in Korea has benefited from the already established green criteria of the Korea Eco-label and Green Recycled Mark. By linking these two policies, administrative costs to set the green procurement standards can be avoided by each institute, thereby inducing the rapid growth in green public market. On the other hand, it was after the government’s clear signal to scale up the GPP that the green products become competitive and diversified in the market. This approach can be strategically replicated in developing countries considering the adoption of both ecolabelling and GPP simultaneously.
17. Green public procurement should go hand in hand with eco-innovation policies aimed at stimulating the market. By nurturing the green market, the product groups

⁶ http://www.index.go.kr/egams/stts/jsp/potal/stts/PO_STTS_idxMain.jsp?idx_cd=1376

⁷ This includes energy efficient public procurement by Ministry of Trade, Industry & Energy, preferential purchase of products manufactured by persons with severe disabilities by Ministry of Health and Welfares, and preferential purchase of small and medium enterprise-manufactured products by Ministry of Employment and Labor.

covered by the GPP can be expanded, while ensuring the quality and price competitiveness of green products. In this regard, the Ministry of Environment establishes a Master Plan for Encouraging Purchase of Green Products, every five years, elaborating a variety of policies aimed at promoting green production, distribution, and consumption.

18. The green public procurement in Korea should be harmonized with other procurement regulations and criteria in a way to minimize confusions and burdens of procurers. In the long run, the scope of green procurement should be expanded to incorporate both 'ecologically efficient' and 'socially inclusive' ones, thereby turning into Sustainable Public Procurement.

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