

Policy Approaches for SPP in Korea

: Focusing on the Enactment of Green Procurement Law



6. 15



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Profile of South Korea



Policy Approaches for SPP



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Concluding Remarks



Profile of South Korea

Physical Profile

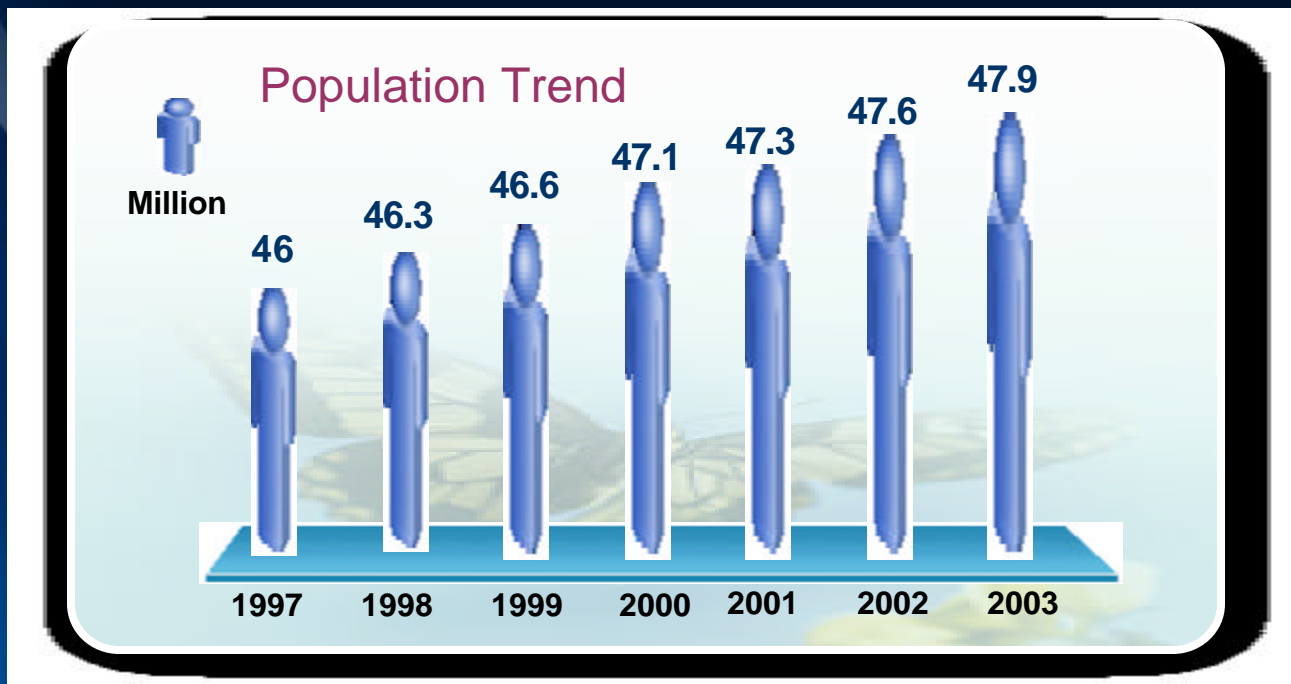
- The Republic of Korea is situated on the Korean Peninsula, which spans 1,100? from north to south.
- Area : 99,585? (45% of Korean Peninsula)
 - 70% of total area is mountainous
 - 61% of agricultural land (18,460 ?) is designated for rice production
- Capital : Seoul (10 million inhabitants)
- Temperature : -15°C ~ 35°C
- Annual rainfall : 1,276 mm



(Source : Korean Government homepage
(www.korea.net))

Population Profile

- **Population of the Republic of Korea (2003): 48 million**
- **Population Density (2003): 490 persons/?**
- **Annual Growth Rate (2003): 0.57 %**



Economic Profile

<GNI Trend>

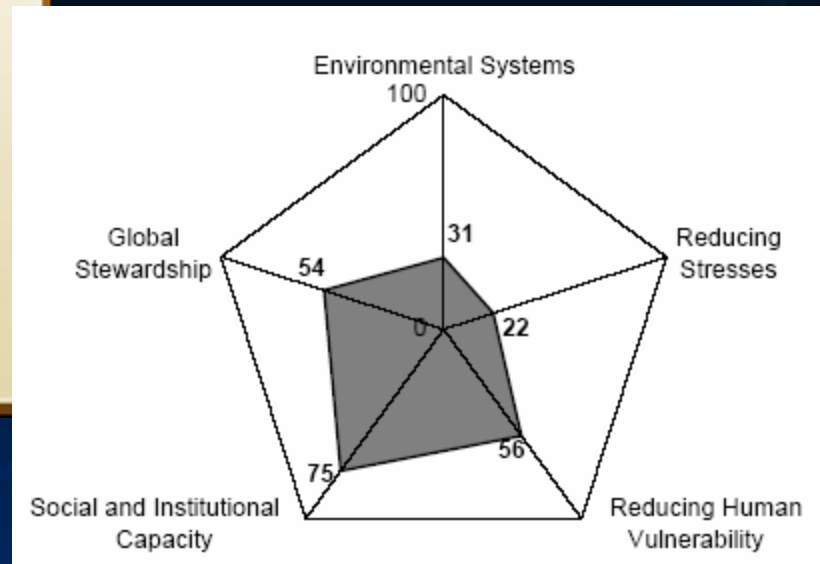
| Year | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|
| GNI (USD 100 Million) | 5,136 | 3,404 | 4,400 | 5,096 | 4,811 | 5,475 | 6,061 |
| GDP (USD 100 Million) | 5,164 | 3,461 | 4,452 | 5,118 | 4,820 | 5,469 | 6,080 |
| Economic Growth Rate | 4.7 | -6.9 | 9.5 | 8.5 | 3.8 | 7.0 | 3.1 |

<How Korea's Economy Ranks in the World>

| | Unit | S.Korea | Rank |
|---|----------|----------------|------|
| GDP (2004, E) | \$ Bil. | 667.4 | 10 |
| Trade (2003) | \$ Bil. | 372.6 | 12 |
| Ship Orders (2003) | 1000 CGT | 18.810 | 1 |
| Sales of Semiconductor (2004) | \$ Bil. | 15.9 (Samsung) | 2 |
| Companies on fortune 500 List (2003) | No. | 11 | 10 |
| Service Trade (2003) | \$ Bil. | 70.3 | 14 |
| World's Top 1,000 Banks (2003) | No. | 12 | 18 |

South Korea

- ESI 43.0
- Ranking 122
- CDP/Capita 15,574
- Peer group ESI 55.4
- Variable coverage 73
- Missing variables inputted 1



2005 ESI

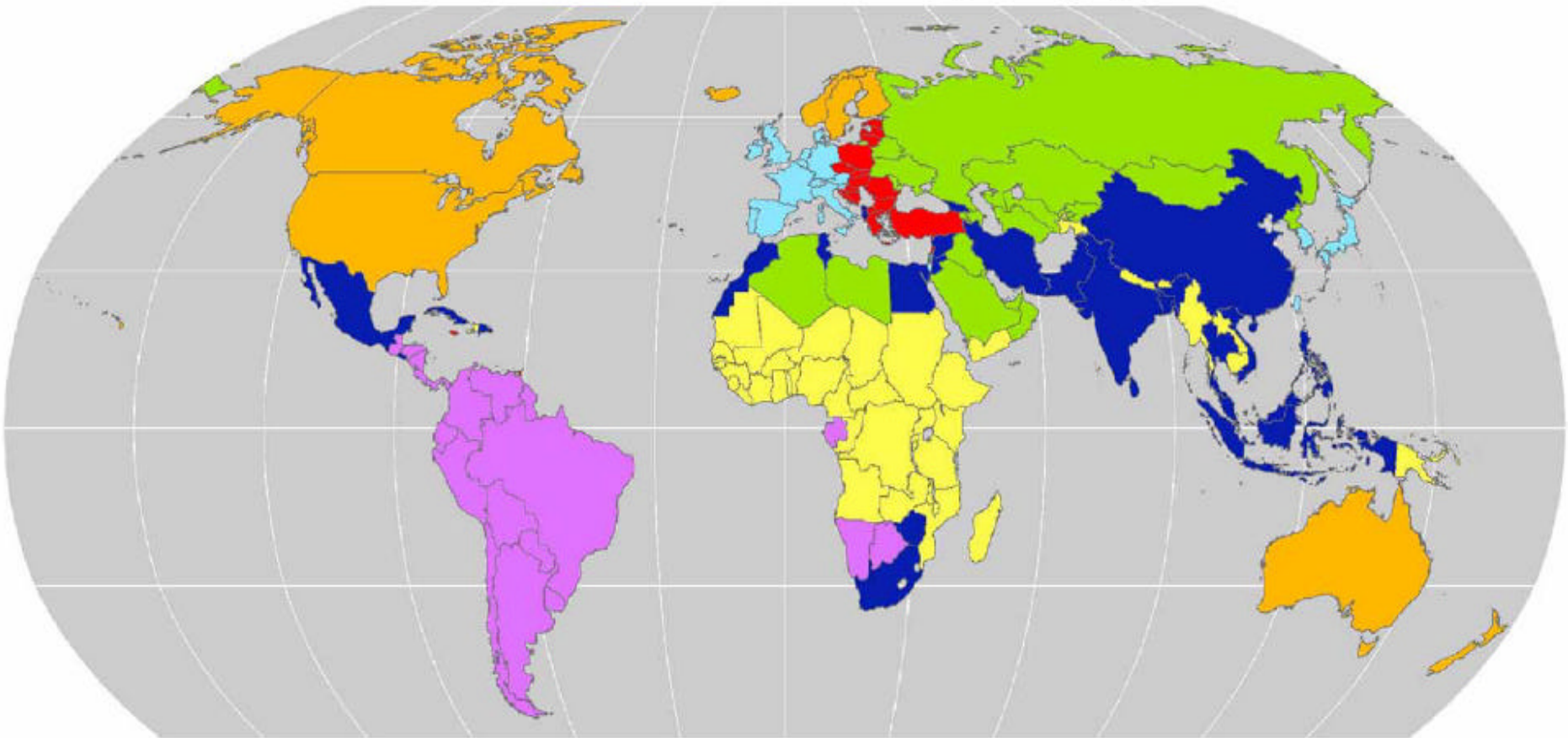
| | |
|-----|-------------|
| 1 | Finland |
| 2 | Norway |
| ... | ... |
| 30 | Japan |
| 45 | U.S.A |
| 66 | U.K. |
| 122 | South Korea |
| 136 | China |
| 145 | Taiwan |
| 146 | North Korea |

※ 2002 : 136/142

Poor system, High stresses

Cluster Analysis

ESI Characteristic-Based Country Groupings



Robinson Projection




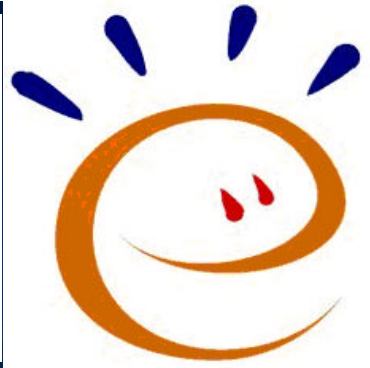
Cluster Component Characteristics

- 1 Low system and stress scores; low vulnerability and high capacity; moderate stewardship
- 2 Moderate system and stress scores; high vulnerability and low capacity; above average stewardship
- 3 Above average system score; low vulnerability; high capacity; moderate stresses and stewardship
- 4 Moderate system, stresses, and capacity scores; low vulnerability and stewardship
- 5 Above average system score, moderate stresses, vulnerability, capacity, and stewardship
- 6 Moderate system, stresses, and vulnerability scores; low capacity and stewardship
- 7 Low system score; moderate stresses, vulnerability, capacity, and stewardship



Policy Approaches for SPP in Korea

1. Product Information

| | Korea Eco - Label | Good Recycled Mark | Environmental Declarations of Product | Energy Saving Mark |
|------------------------|---|---|--|--|
| Year Created | 1992 | 1997 | 2002 | 1998 |
| Regulatory Framework | Development of and Support for the Environmental Technology Act | Act on Promotion of Saving and Recycling of Resources | Development of and Support for the Environmental Technology Act | Act on Energy use Rationalization |
| Lead Government Agency | Ministry of Environment | Ministry of Environment, Ministry of Commerce, Industry and Energy | Ministry of Environment | Ministry of Commerce, Industry and Energy |
| Operating Body | Korea Environmental Labelling Association (KELA) | Korean Agency for Technology and Standards | KELA, Environmental Management Corporation | Korea Energy Management Corporation |
| Targeted Items | 102 items: Office items, construction materials, living goods, industrial goods, etc. | 211 items: Waste paper, waste plastic products, waste fibers, waste rubber products, etc. | 22 items: Refrigerators, TFT-LCD, digital cameras, etc. | 48 items: Energy (electricity) - saving office and home appliances, etc. |
| Logos |  |  |  |  |



Korea Eco-Label Program (1)

- Launched in April, 1992
- Governed by MoE & operated by KELA
- Regulatory Framework: Development of and Support for the Environmental Technology Act
- Parties involved and responsibilities:

| Ministry of Environment (MoE) | Korea Environmental Labelling Association (KELA) |
|---|--|
| <ul style="list-style-type: none">• Development/amendment of relevant regulation• Public notification• Promotion of green procurement | <ul style="list-style-type: none">• Product group selection & criteria development• Certification and surveillance check• Marketing, international cooperation, etc. |



Korea Eco-Label Program (2)

- A total of 102 product-specific criteria are available (www.kela.or.kr/english/)

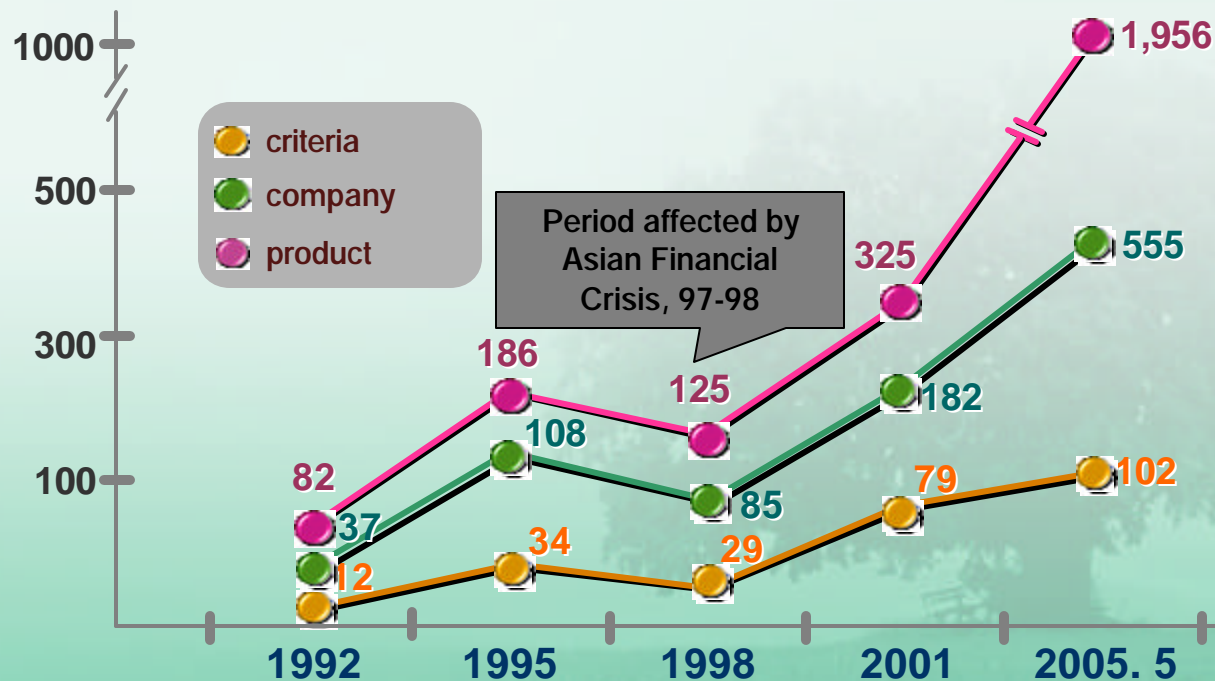
| | |
|------------------------|--|
| Office (13) | Printing paper, adhesive paper, copiers, printers, PCs, toners, office furniture, gas cabinet heaters, water dispensers |
| Home (12) | Air conditioners, washing machines, refrigerators, vacuum cleaners, air cleaners, TVs, VCRs, mobile phones, furniture |
| Personal (11) | Soaps, detergents, cleaners, clothing, shoes, toilet paper, aerosol products, ornaments |
| Construction (29) | Paints, adhesives, wallpapers, thermal & acoustic insulating materials, windows, floor coverings, toilets, faucets, pipes, lamps |
| Transportation (11) | Passenger car tires, bus & truck tires, engine oils, air filters, anti-freezing solutions, brake linings & pads |
| Industrial (16) | Hydraulic fluid, printing inks, industrial batteries, packaging, construction machines, oils, lubricants, solar cell products |
| Multiple (10) | Biodegradable resins, refillable products, slag-recycled products, recycled plastic/rubber/wood/aggregate etc. |



Korea Eco-Label Program (3)

Current Status

- 1,956 products from 555 companies have been licensed under 102 product groups as of May, 2004
- The ISO 14024 has been adopted since 1997



2. Targeted Products and Resource Policies

Preferential Purchase Scheme of Korea Eco-Label Products

- Who?
 - National and local governmental agencies, government-invested institutions
 - Why?
 - To promote green purchasing using the public sector's purchasing power
 - To prevent wasteful uses of resources and environmental pollution, and to contribute to sustainable development in the domestic economy through the encouragement of green purchasing
 - What?
 - Recommending public agencies to practice preferential purchasing of **Eco-Labeled** products
 - Obligating public agencies to report in their annual plans the results of purchasing Korea Eco-Label Products
- ? The Minister of Environment is then required to publish the results of the agencies in governmental journals

2. Targeted Products and Resource Policies

Preferential Purchase Scheme of Recycled Products

- Who?
 - National and local governmental agencies, government-invested institutions
 - Why?
 - To reduce waste and promote recycling by encouraging the purchase of recycled products by public agencies
 - What?
 - Recommending public agencies to practice preferential purchasing of recycled products
 - Obligating public agencies to report in their annual plans the results of purchasing recycled products
- ? The Minister of Environment is then required to report the results to a Cabinet Council and notify the public.

3. General Guidelines

- Green Purchasing Guidelines (MOE)
 - Establishes standards and procedures for the purchasing of environment-friendly products
- Green Presswork Guidelines (MOE)
 - Establishes standards and procedures for proper Green Presswork
 - Includes standard book sizes, printing methods, paper to be used, to minimize the waste of paper.
- Green Purchasing Guideline (Korea GPN)
 - Establishes standards and procedures for the purchasing of environment-friendly products

3. General Guidelines

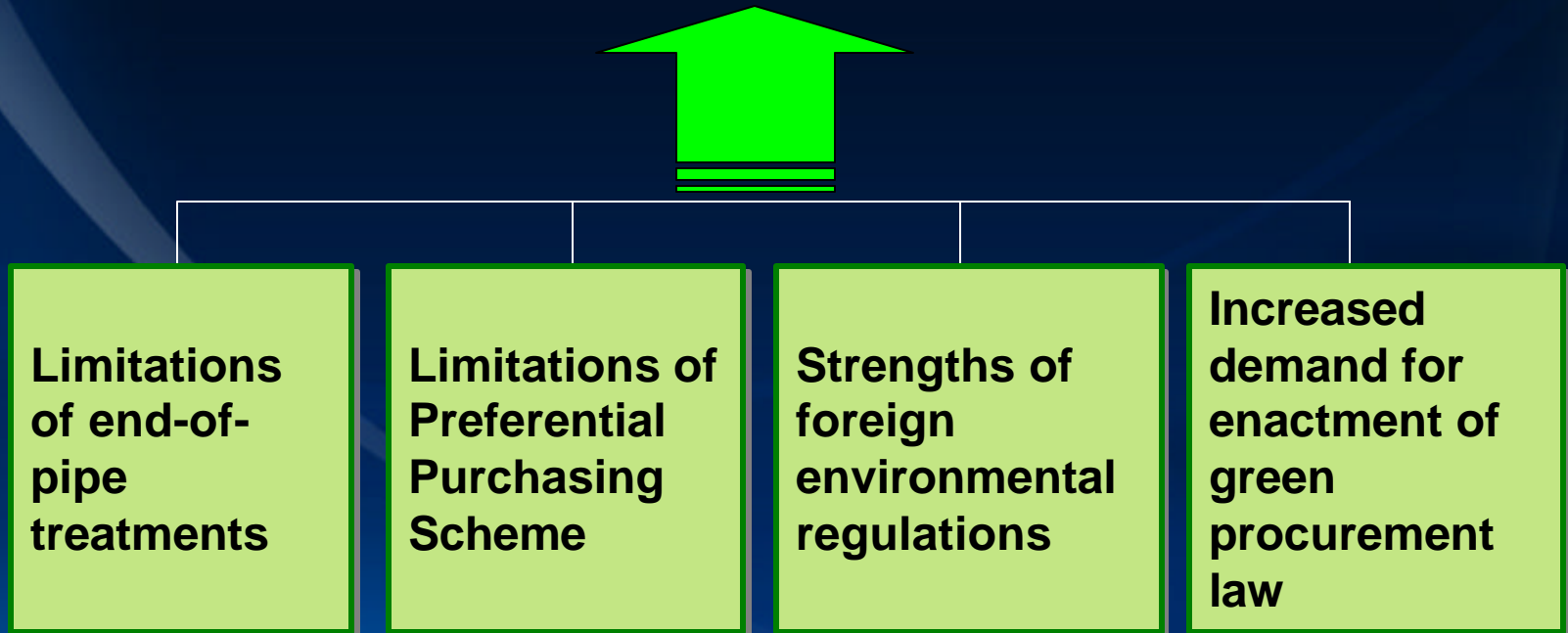
- Green Purchasing Guidelines (Seoul Metropolitan Govt.)
 - Establishes standards and procedures for the purchasing of environment-friendly products by the Seoul Metropolitan Govt.
 - The following are factors to be considered in a product's lifecycle
 - ✓ The possibility of harm to ecosystems or human populations caused by pollution from products, or eutrophication
 - ✓ The amount of pollutants discharged from products which can impact the ozone layer, create acid rain, and form photochemical oxidants.
 - ✓ The product's degree of impact on energy consumption and global warming
 - ✓ Others : packing materials, replacement and repair, high contents of recycled material, etc. Recommending public agencies to practice preferential purchasing of **Eco-Label** products



Enactment of Green Procurement Law

Background

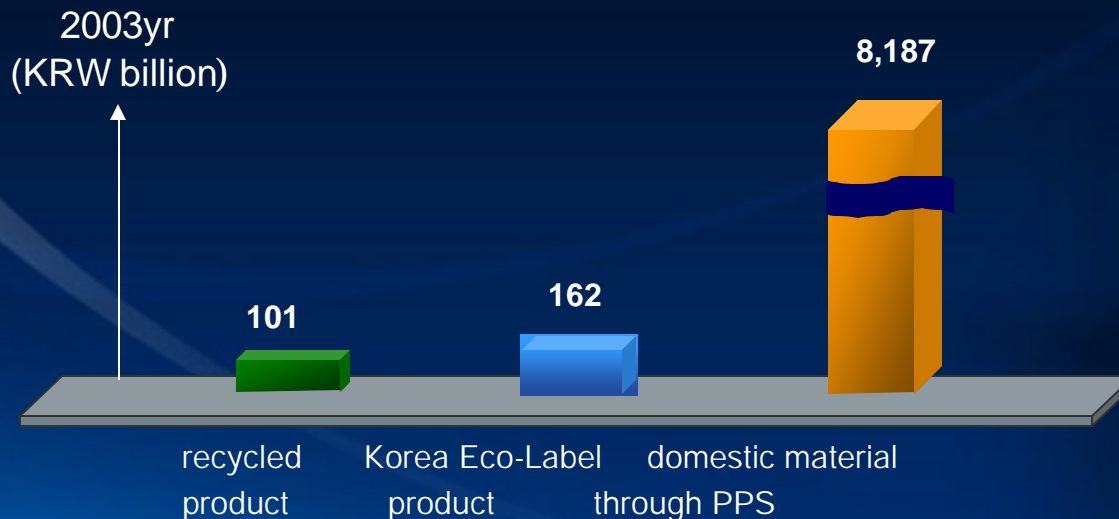
Necessity of systematic changes for facilitating dissemination of environment-friendly products





Limitations of Preferential Purchasing Scheme

- Korea has implemented the preferential purchasing scheme to invigorate green purchasing in the public sector without great success.
 - Purchase amount of Korea Eco-Label Products: KRW 162 billion
 - Purchase amount of recycled Products: KRW 101 billion



- ? The MoE has thus decided to enact the “Act on the Promotion of the Purchase of Environment-Friendly Products (Green Procurement Law).”

Green Procurement Law

Upon the enactment of the “Act on the Promotion of the Purchase of Environment-Friendly Products”, Korea became only the second country in the world to mandate public agencies to purchase Eco-products under a single comprehensive law

? The full text of law is available at
http://www.kela.or.kr/english/info/view.asp?board_idx=8

- Promulgated in December 2004
- Will be enforced from July 2005

Purpose

- To expand the eco-product market through a mandatory public green purchasing scheme
- To prevent wasteful use of resources and environmental pollution, and to contribute to sustainable development in the domestic economy

Main Provisions of the Green Procurement Law

? **To whom?**

- National and local governmental agencies, government-invested institutions, etc.
 - Large scale, public-sector organizations

? **Definition of Environment-Friendly Products**

- Korea Eco-Label-certified products or products satisfying certification criteria
- Korea Good Recycled Mark-certified products or products satisfying certification criteria
- Other eco-products satisfying criteria deliberated upon and notified by the MoE

Main Provisions of the Green Procurement Law

? **Obligation of public agencies to purchase Eco-products**

- Public agencies should purchase environment-friendly products for all purposes, except in any of the following cases:
 - When an environment-friendly product is not available
 - When a stable supply of an environment-friendly product is not available
 - When an environment-friendly products is of low quality
 - When an agency intends to purchase products other than environment-friendly types to perform preferential purchase regulations under other laws such as the Welfare Law for the Disabled
 - When given any other unavoidable reasons such as urgent demand, that makes the purchasing of environment-friendly products difficult
- The obligation applies not only to direct purchasing but also to indirect purchasing through service contracts such as cleaning, building repairs and maintenance, etc.

Main Provisions of the Green Procurement Law

? **Establishing plans for promoting green procurement**

- The MoE establishes Basic Plan every 5 years which encompasses the following:
 - Policy directions and implementation plans
 - Targeted items for eco-products and important issues with respect to criteria
 - Analysis and improvement of public agencies' green procurement based on performance reviews
 - International cooperation in relation to eco-products, etc.
- ? In order to deliberate the Basic Plan, the Ministry of Environment shall organize and administrate the Green Purchasing Council

Main Provisions of the Green Procurement Law

? **Establishing plans for promoting green procurement**

● **Purchasing Guideline of Eco-products**

- The MoE shall set up annual guidelines for Eco-product purchasing pursuant to the Presidential Decree and notify the heads of the public agencies.

● **Purchasing Plan of Eco-products**

- In accordance with purchasing guideline, the head of each public agency shall establish and announce their Purchasing Plans of Eco-Products, and submit it to the MoE

Main Provisions of the Green Procurement Law

? **Provisions for encouraging public agencies to fulfill purchase obligations of eco-products**

- Public agencies shall report their purchasing plans and annual performance reports to the public: active participation
 - Through web site, public journals, advertisements, etc.
- Reflect procurement results of eco-products on the performance evaluation items of central administrative agencies, local governments, etc.
- Provide preferential grants of environment-related subsidies to local govts.

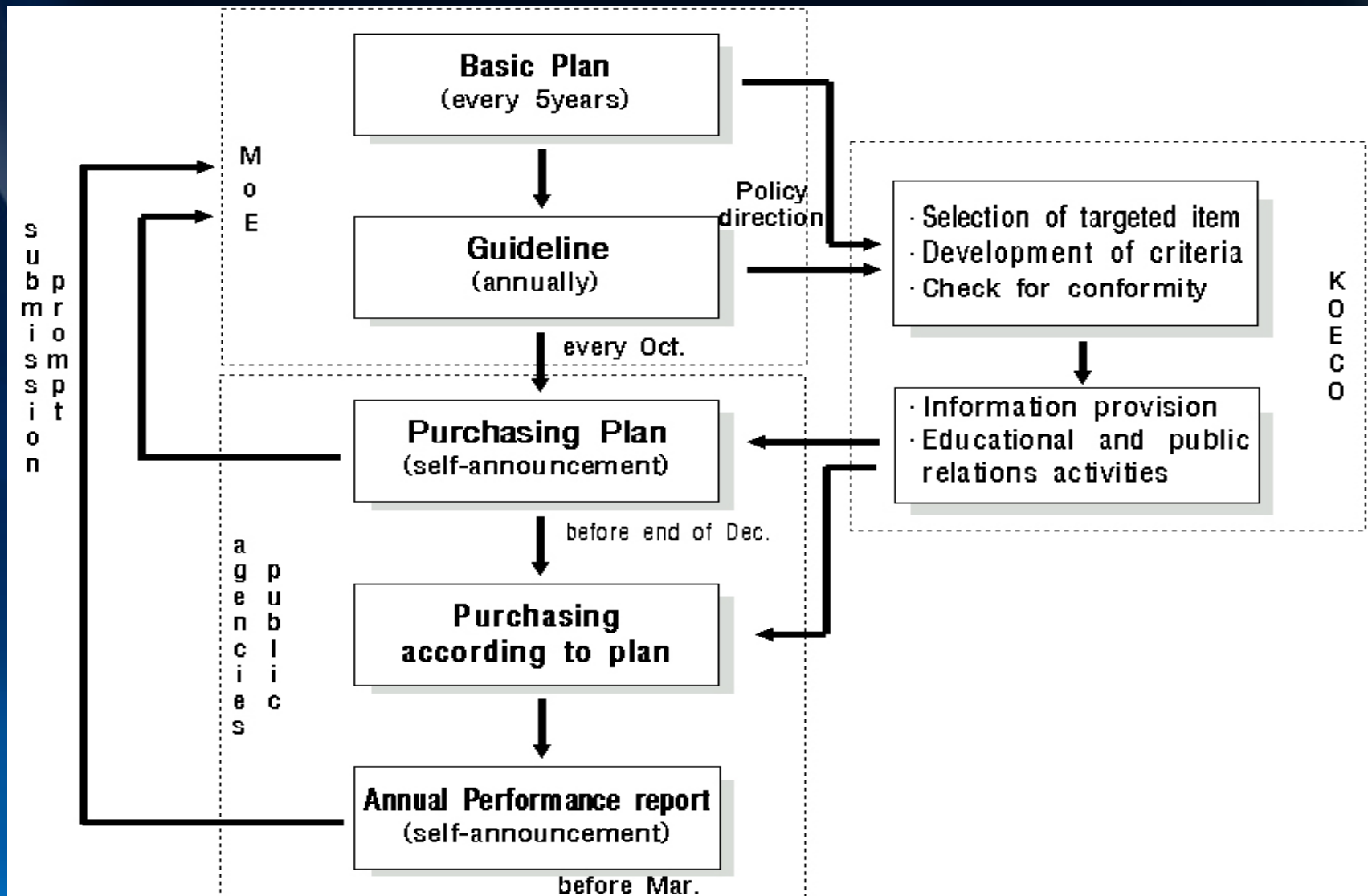
Main Provisions of the Green Procurement Law

? **Korea Eco- Products Promotion Institute (KOEKO)**

- In order to effectively promote Eco-product purchase, the KOECO shall be established
 - To Provide relevant information to support the purchase of Eco-products
 - To Select targeted items and develop relevant criteria for Eco-products
 - To Establish standards for operations related to conformity of Eco-products
 - To provide educational and public relations activities with respect to eco-products, etc.
- KELA will change its name to KOECO as provided in the act, expand its business areas and specialize in overall green purchasing functions



Process



Other Green Procurement Supporting Instruments

? **Government e-procurement system (GePS)** ? www.g2b.go.kr

- Providing various information (bid information, products characteristics), purchase, payment, purchase results via the internet

The screenshot displays the Government e-procurement system (GePS) website. The main content area shows a list of products with various green procurement labels. Three specific labels are highlighted with red boxes and callouts:

- Korea Eco-Label product**: Points to the 'Korea Eco-Label' icon (a green circle with a white 'E') next to product 20408496.
- Recycled product**: Points to the 'Recycled' icon (a green circle with a white 'R') next to product 20387992.
- Good product**: Points to the 'Good' icon (a green circle with a white 'G') next to product 20558808.

The product list includes the following items:

| Product ID | Product Name | Unit | Price | Quantity |
|------------|--------------|-------------|----------|----------|
| 20408496 | 화장실용화장지 | [0,0038 톤] | 5,840 원 | (속) |
| 20387992 | 화장실용화장지 | [0,016 톤] | 29,710 원 | (상자) |
| 20558808 | 화장실용화장지 | [0,002 톤] | 2,900 원 | (속) |
| 20558807 | 화장실용화장지 | [0,006 톤] | 9,700 원 | (속) |

The website also features a sidebar with navigation links and a bottom section with various product categories and prices.

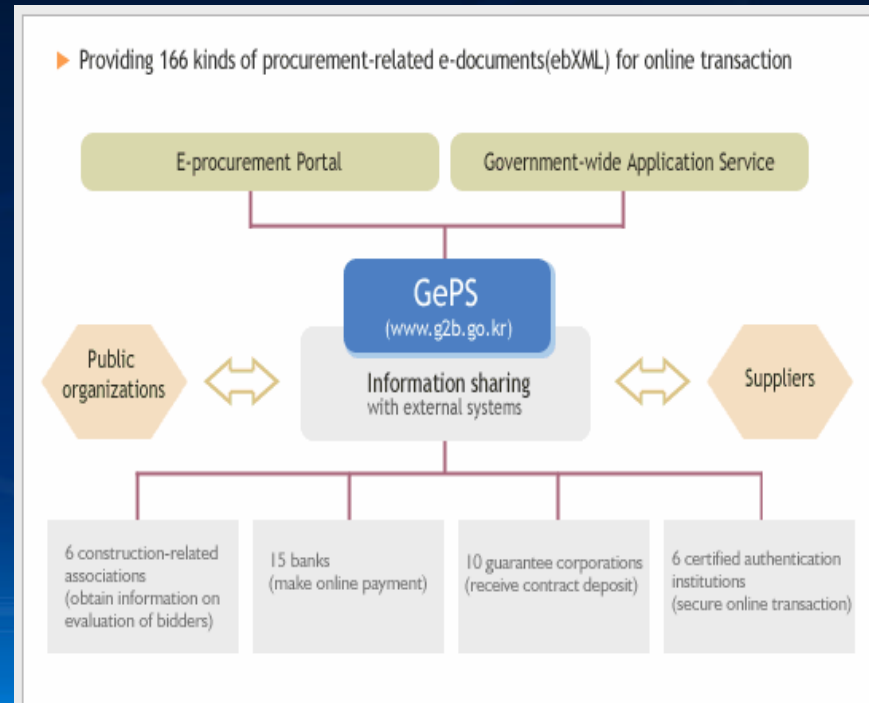
Other Green Procurement Supporting Instruments

- GePS is a nationwide integrated Government e-Procurement System that enables all procurement processes from 'purchase request' to 'payment' to 'check of results' to be processed online
 - Developed and operated by PPS
- The Public Procurement Service (PPS) is a central government procurement agency that purchases and provides goods and services needed for the operation of various government organizations

<Outline of GePS>

<Scale of public procurement through PPS(KRW billion)>

| Services Yr. | Domestic Materials | Foreign Materials | Construction Works | Reserve Material Procurement & Issue | Total |
|--------------|--------------------|-------------------|--------------------|--------------------------------------|--------|
| 2002 | 7,401 | 559 | 11,964 | 581 | 20,504 |
| 2003 | 8,187 | 552 | 12,712 | 535 | 21,986 |
| 2004 | 9,110 | 644 | 13,359 | 1,055 | 24,168 |



Other Green Procurement Supporting Instruments

? **Education and Public Relations**

- Education for public sector ? with KOECO
 - Educational programs such as workshops
 - Lecturing tours for procurement officers
- Education for private sector ? with NGOs such as Korean GPN
 - Differential Educational programs for homemakers and students
- Public relations through TV, radio, the internet, various booklets, etc.

? **Voluntary agreements**

- To promote green purchasing practices in the industrial sector, the MoE plans to make V/A with large-scale companies on green purchasing this July



Closing Remarks

? **In the process of enactment**

- No technical barrier to trade
- Non-discrimination, transparency, proportionality ? primary principle of EU
- Linkage with other preferential purchase schemes such as products made by handicapped persons

? **To promote sustainable procurement**

- Gain strong commitments from the heads of organizations and establish a driving system for sustainable procurement
- Promote education and public relations
 - A key factor for the success of SPP
- Strongly encourage suppliers to participate green purchasing
- Provide easy access to information on eco-products
 - Special web sites, DB, handbooks, guidance manuals, etc.
- Developed country's obligation and international cooperation

Thank you for your attention!



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