

Guide on Public Procurement for Sustainable Local Community in Japan

12 Criteria to Make Community and Institution More Sustainable



- ▶ **Guidance**
Sustainable Local Community, Responsible Business,
Environment, Compliance/Management System
- ▶ **Expert Column /**
Japanese Local Government Interview
- ▶ **Self-Check List (SAQ)**



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Introduction

This guidebook *“Public Procurement Guidebook for Sustainable Local Communities-12 Issues Required for Sustainable Communities and Organizations”* is the results of research by the CSO Network over three years to address the fundamental question of “What is ‘Sustainable Public Procurement (SPP)’?” with analysis of compilation of comments given by experts and local government officers in and out of Japan.

In the wake of the Great East Japan Earthquake 2011, we determined to conduct field studies on regional sustainability, and developed “Regional Capability Diagnostic Tool” for evaluation and visualisation of strengths of local community in 2016. We also initiated a research project of sustainable procurement for local governments in collaboration with Japan International Cooperation System (JICS). Since the end of 2016, we have sought the form of the Japanese “sustainable public procurement” including the aspects of social as well as environment.

The concept placed in the heart of this research is “public procurement that contributes to achieving sustainable local communities”. While SPP tends to be distracted by its diverse elements and often merely assert or emphasize the necessity of adopting sustainability, rather, we attempted to capture public procurement from a perspective of “regional sustainability” to which both public and local governments are more receptive. That is to re-consider public procurement as a policy instrument to enhance sustainability in local economies and communities. We would like to express our gratitude towards Mr. Nobuo Kitaoji, the former Professor at Meiji University Graduate School, for his suggestion in this regard.

In the three-year research project, firstly we conducted literature reviews for understanding of international trends and on-going discussions of the SPP. Secondly, we focused on the domestic issues, and carried out a “Questionnaire Survey of Local Governments on Public Procurement and Contract Ordinances and Regional Sustainability” (March 2018) in order to grasp the status quo of domestic initiatives and to clarify its background. During this period, we received a large number of helpful responses from local government officers such as in Yokohama City, Kokubunji City, Kyoto Prefecture, and Noda City. We are grateful to the officers involved for their warm cooperation to participate in this guidebook.

With regard to “Business and Human Rights” on which we have placed importance in the context of sustainable local communities, we received many inspirations through visits to overseas stakeholders, particularly the Danish Institute for Human Rights. For several years, public procurement officers in Western countries have already been discussed how to contribute to the international discussions in Business and Human Rights. Initiatives by Copenhagen City which is one of the pioneering cities, of Green Public Procurement (GPP) in Denmark, and of Ethical Procurement have shown us the picture of the future we aspire to attain in Japan.

The sustainable procurement initiatives in the London 2012 Summer Olympics has had a significant impact on the sustainability of the Olympic Games since then; however, when we visited the officer in charge of sustainable procurement in the London Olympics, he highlighted not only the difficulties inherent in such mega sports events but also the sustainable-conscious urban development around the London Olympics venue. This tells us

that the pressing issue we face is how to build a lasting legacy of sustainable-conscious procurement in the Tokyo 2020 Summer Olympics.

This guidebook begins with the search for regional sustainability in Japan, and then presents 12 issues and 70 initiative items required for SPPs being categorized into four pillars: "A. Sustainable Communities", "B. Responsible Business Activities", "C. Environment", and "D. Legal Compliance and Management Systems" including the sustainability criteria that companies and organizations are expected to meet. In addition, we included columns by experts and interviews with local governments so that you will see the concept of SPP and its examples in an easy-to-understand manner, as well as the self-checklist (SAQs). Lastly, We would like to express our sincere appreciation to the many experts contributed to this guidebook, and everyone gave us suggestions, advice, and cooperation. We hope that this guidebook will contribute to the sustainability of public procurement in Japan.

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How to use this guidebook

This guidebook includes topic-specific initiatives required for “Sustainable Public Procurement” or “Public Procurement that Enhances Social Sustainability” (SPP), practice cases by local governments, columns of experts, self-checklists (SAQs), and other reference materials. We recommend utilising this guidebook when necessary in consideration and/or implementation of initiatives to enhance the sustainability of local communities

Purpose of this Guidebook

- ✓ Identity factors need to be taken into account in public procurement, which accounts for about 20% of the economic scale of each country, for the sustainability of local communities.
- ✓ Provide useful information for local communities and companies to suit the situation in Japan as well as to introduce the international standards for sustainability.

What are the Criteria for Selecting "Initiative Items" Required by the SPP?

This guidebook gives the 12 issues and 70 initiative items required for public procurement to contribute to the regional sustainability. These initiative items were selected based on the following criteria.

- Be based on the internationally-accepted standards of sustainability.
- Include the industrial standards recognized to a certain extent at the private level.
- Be rationale and valid to a certain extent so that the governments in Japan are able to utilise it.
- Evaluate contribution to sustainable local communities in Japan.
- Contribute to the promotion of SDGs in local and regional areas in Japan.

Background to the Establishment of the Initiative Items in this Guidebook

We created this guidebook taking into account various standards, discussions, and research papers: the international SPP issues discussed in UNEP's Global Review of Sustainable Public Procurement 2017, the Code of Conduct and the VAP Audit Manual (ver6. 0) of the Responsible Business Alliance, the third edition of the Procurement Code with Consideration for Sustainability in the Tokyo 2020 Olympic and Paralympic Games, the results of a local government survey conducted by the CSO Network, and others.

The standards, discussions, and research papers above embrace a variety of elements, such as public procurement based on evaluation other than prices, and certification of companies contributing to local communities. (Please find references and other materials at the end of this guidebook)

Who and When to Read the Guidebook?

This guidebook is designed not only for local procurement officers but also policymakers and other officers, and other stakeholders involved in regional sustainability activities (see examples below).

- **Local governments: persons in charge of policy planning or planning, persons in charge of procurement or bidding, persons involved in procurement or bidding of mega sports events printernational conferences, etc.**

→ How can we spend local taxes to increase sustainability? <Examples>

- ✓ Incorporate sustainable-conscious system design and standards in selecting suppliers for procurement (tenders, purchases of goods, outsourcing of business, designated manager system, etc.) by local governments.
- ✓ Include factors of sustainability in the evaluation item when reviewing the existing procurement system (evaluation items of the overall evaluation method, etc.).
- ✓ Examine possible items that local governments are able to address in other policies other than procurement policies, and ask for companies and organizations to make actions for sustainable procurement.

- **Representatives of local assemblies**

→ How can we take regional contribution certificates to stimulate the regional economies?
How can we evaluate budgets and policies? <Examples>

- ✓ Develop and prioritize enterprise certification systems based on local sustainability priorities.
- ✓ Assess policies from the perspective of regional sustainability when checking budgets and expenditures.

- **Regional economic organizations (chambers of commerce and industry, etc.) and regional financial institutions**

→ How can we conduct company evaluations and hold a dialogue to contribute to local communities?
<Examples>

- ✓ Create company assessment items shared by a community, including sustainable-conscious items unique to the industry and region.

- **Private companies (including SMEs)**

→ We'd like to address regional issues for sustainability, but we don't know what to do.
<Examples>

- ✓ Firstly, identify priorities according to the characteristics and strengths of the company (Reminder: No need to do everything!)

<Example of Procedure to Use this Guidebook>

The following is an example of a procedure for local governments and other organizations to use this guidebook.



What are the Categories of the Initiative Items?

The SPP is divided into four pillars: A. Sustainable Local Communities, B. Responsible Business Activities, C. Environment, and D. Legal Compliance and Management System. The SPP consists of a total of 12 issues and 70 initiative items. The Self-Checklist (SAQ) at the end of this guidebook is prepared only for A and B.

A Sustainable Local Communities (19 Items)		Related SDGs
Contribution to the A1 Regional Economy (Issue 1)		
	A1.1 Employment Inregion	SDG 8, 12
	A1.2 Measures for Aging	SDG 1, 2, 11
	A1.3 Inclusiveness in Employment	SDG 8, 10
	A1.4 Active Utilization of Regional Products	SDG 12
Contributing to A2 Local Communities (Issue 2)		
	A2.1 Disaster Prevention Cooperation	SDG 11, 13
	A2.2 Child-rearing Support and Measures against Declining Birthrate	SDG 5

	A2.3 Work-Life Balance	SDG 8
	A2.4 Clean-up Activities	SDG 11
	A2.5 Collaboration with Local Communities	SDG 17
A3 Human Rights (Issue 3)		
	A3.1 Compliance with International Human Rights Standards	SDG 10, 4
	A3.2 Human Rights Due Diligence	-
	A3.3 Eliminate of Discrimination	SDG 5, 10
	A3.4 Prevent of Harassment	SDG 11, 16
	A3.5 Women's Rights	SDG 1, 3, 4, 5, 8
	A3.6 Rights of Local Residents	SDG 1, 2, 4, 11
	A3.7 Rights of Persons with Disabilities	SDG 1, 4, 8, 10, 11, 16
	A3.8 Children's Rights	SDG 1, 2, 3, 4, 11, 16
	A3.9 Diversity Inclusion	SDG 8, 10, 11
	A3.10 Access to Complaint Handling Mechanisms and Relief	-
B. Responsible business activities (28 items)		
B1. Labor (Task 4)		
	B1.1 Forced Labour	SDG 5, 8
	B1.2 Child labour	SDG 4, 8
	B1.3 Discrimination	SDG 5, 8, 10
	B1.4 Working Hours	SDG 8
	B1.5 Remuneration and Benefits	SDG 8, 10
	B1.6 Women's Ease of Work	SDG 4, 5, 8, 11
	B1.7 Consideration for Young Workers and Maternal Workers	SDG 4, 5, 8
	B1.8 Freedom of Association	SDG 8, 16
	B1.9 Foreign Workers (including Technical Intern Trainees)	SDG 8, 10
B2. Safety and Health (Task 5)		
	B2.1 Occupational Safety	SDG 8
	B2.2 Emergency Preparedness (Emergency Planning, Evacuation Training, etc.)	SDG 8, 11, 13
	B2.3 Occupational Accidents and Diseases	SDG 3, 8
	B2.4 Industrial Hygiene	SDG 8
	B2.5 Consideration for Loading the Body	SDG 8
	B2.6 Consideration for Hazardous Work (Young, Female and Pregnant Women Workers)	SDG 8
	Safety Measures for B2.7 Machines, etc.	SDG 8
	B2.8 Sanitary Facilities (Toilets, Cafeterias, Housing, etc.)	SDG 8, 11
	B2.9 Communication on Safety and Health	SDG 8
	Obtaining Certification for Safety and Health in B2.10 (OHSAS18001, ISO45001)	SDG 8
B3. Business Ethics (Issue 6)		
	B3.1 Business Ethics Policy	SDG 16
	B3.2 Eliminate of Improper Benefits	SDG 16
	B3.3 Fair Trade Practices	-
	B3.4 Information Disclosure	SDG 12

	B3.5 Intellectual Property	SDG 3, 17
	B3.6 Responsible Marketing	SDG 4, 12
	B3.7 Eliminate of Retaliation in Whistle-blowing	SDG 8
	B3.8 Responsible Resource Procurement (Conflict Minerals)	SDG 8, 16
	B3.9 Protect of Privacy and Personal Information	-
C. Environment (13 items)		
C1. Environmental management (Task 7)		
	C1.1 Compliance with Environmental Permits, Legal Regulations, and Reporting Obligations	SDG 11, 12
	C1.2 Environmental Management Structure	SDG 11, 12
C2. Climate Change (Challenge 8)		
	C2.1 CO2, Reducing Emissions of Greenhouse Gases	SDG 7, 13
	C2.2 Energy Conservation	SDG 7, 13
	Use of C2.3 Low-carbon and Decarbonized Energy	SDG 7, 13
	C2.4 Information Disclosure	SDG 7, 12, 13
C3. Resource, Waste and Pollution Management (Task 9)		
	C3.1 Resource Conservation	SDG 12, 6
	C3.2 Prevent of Air, Water and Soil Contamination	SDG 3, 6
	C3.3 Noise and Vibration	SDG 3
	C3.4 Management of Chemical Substances	SDG 3, 12
	C3.5 Waste Management and 3R	SDG 11, 12
	C3.6 Plastic waste	SDG 12, 14
C4. Green procurement (Task 10)		
	C4.1 Promotion of Green Procurement	SDG 12, 13
D. Legal Compliance and Management System (10 items)		
D1. Legal Compliance and Tax Payment (Issue 11)		
	D1.1 Compliance with Laws and Regulations	SDG 16
	D1.2 Tax Payment and Social Insurance	SDG 10, 17
D2. Management system (issue 12)		
	D2.1 Commitment	-
	D2.2 Compliance System	-
	D2.3 Internal Dissemination and Training	-
	D2.4 Supplier Management	-
	D2.5 Risk Assessment and Management	-
	D2.6 Reporting System and Complaint Handling Mechanism	-
	D2.7 Audit, Evaluation and Corrective Measures	-
	D2.8 Documentation/Record	-

Relations to SDGs

SPPs fall under Target 12.7 "Promoting Sustainable Public Procurement Practices in accordance with national policies and priorities" in SDG12 "Sustainable Production and Consumption", however it is important to use SPPs use as policy instruments that give impacts for achieving cross-sectoral goals. Which goals the SPPs have impacts on hugely depends on the operations in procurement.



A. Sustainable Local Community

A. Sustainable local communities consist of Contributions to Local Economies (A1), Contributions to Local Communities (A2), and Human Rights (A3).

A1. Contributions to Local Economy

Overview

- ✓ Sustainable development of local economies is underpinned by the growth and development of local companies and businesses. High efficiency of monetary circulation is one of the phenomenon observed on the developmental process. In the context of local economies, this is called the "reinvestment capability within the region". It is a mechanism in which money are spent, made, and smoothly flows inside the local economies. Investment within the region stimulates local employment and the procurement of raw materials, parts, and services, and eventually leads to the expansion of production in the communities as supporting the basic infrastructure for the local people's daily life where encourages further investment and consumption within the region. The increase on the investment regeneration inside the local economy constitutes to sustainable development of the regional economy.
- ✓ To strengthen intra-regional reinvestment capacity, it is vital to encourage the intra-regional economic circulation by establishing the network of intra-regional businesses enterprises. Both the public and the private sectors are expected to work together and take the initiative to build cooperation between intra-regional actors with utilizing local resources.

(Reference: Chihiro Okada (2005): Introduction to Economics in Regional Development: Introduction to Regional Reinvestment Capability: Local Government Research Corporation)

A1 Contributions to Local Economies: Initiative Items

A1.1 Employment in Region

In order to revitalize the regional economy and to strengthen the circulation inside, it is important to secure and create employment opportunities for people living in the region. It is desirable that local governments develop the purpose and standards of supporting local contractors and publicize them so that anyone is able to see.

(Reference: Jun Kawada (2016) "One Discussion on Public Procurement as a Policy")

A1.2 Measures for Aging Society

In accordance with the Law Concerning Stabilization of Employment of Older Persons (Law for Stabilization of Employment of Older Persons), all employers shall take one of the following measures: (1) raising the retirement age to 65 years old or older; (2) introducing a system of continuous employment of 65 years old or older; and (3) abolishing the mandatory retirement age (measures to secure employment of older persons).

(Source: Japan Employment Support Organization for the Elderly, Persons with Disabilities and Job Seekers, "Case Studies of Employment Promotion for Persons Aged 65 and Aged")

A1.3 Inclusiveness in Employment

In order to strengthen the inclusiveness of local communities and enhance the sustainability of the communities, active inclusion and employment of the peoples who are likely to be marginalized are expected. For example, people with disabilities, youth with difficulties living in the community, probationers, and people from institutions such as children's homes, etc.

(Reference: CSO Network (2018) "Report: Public Procurement and Public Contract Ordinance and Results of Survey on Local Sustainability of Japan's Local Governments")

A1.4 Active Utilization of Regional Products

In order to enhance the "reinvestment capacity within the region" and to promote its economic circulation, businesses enterprises are expected to have the prioritized use of locally-produced materials and goods for their services.

(Reference: Chihiro Okada (2005): Introduction to Economics in Community Building: Introduction to Regional Reinvestment Capability Theory: Local Government Research Corporation; CSO Network (2018) "Report: Survey Results of Public Procurement and Public Contract Ordinance and National Local Government Questionnaire Survey on Local Sustainability")

Responses from the Nationwide Municipal Government Survey

At CSO Network Japan, we published a research report entitled “Research Report: Results from the Nationwide Municipal Government Survey on ‘Ordinances on Public Procurement / Public Contract’ and Community Sustainability” based on research conducted in February and March of 2018. Listed below are some of the responses from municipal governments across Japan about their initiatives on making contributions to the regional economy.

■ Priority Purchasing from Local Businesses and Positive Evaluations and Encouragement of the Use of Local Products

Miyazaki Prefecture: Following the “Policy on Prioritizing Purchasing from Businesses within the Prefecture and Priority Use of Products from within the Prefecture” (February 2014), we have determined a unified policy on prefectural procurement whereby the prefecture promotes prioritized tendering from businesses within our prefecture and prioritized use of products from our prefecture. Additionally, we have conducted research to track the achievements of our efforts year by year.

Tokushima Prefecture: We have created the “Implementation Guideline for Prioritized Purchasing from Businesses within the Prefecture and Priority Use of Materials from within the Prefecture.” Excluding cases whereby businesses within our prefecture cannot respond to the tender requirement or when fair competition cannot be ensured just with businesses from within the prefecture, we promote procurement from businesses from within our prefecture as a general rule. We have set quantitative goals in both the number of cases and amount tendered, and our goal is to have over 90% of contracted cases and amounts go to Tokushima businesses.

Yamaguchi Prefecture: Building on the objective of the “Yamaguchi Prefectural Ordinance on the Promotion of Local Industries,” we instruct our contractors for public works to procure materials needed in construction from within the prefecture, and when subcontracting, we ask them to use construction businesses from within Yamaguchi.

Chiba Prefecture: We adhere to a comprehensive evaluation system in the general tendering of public works, and although we do not necessarily have a policy to prioritize small and medium-sized enterprises (SMEs), we do positively evaluate the use of main construction materials produced within our prefecture.

Shinjuku Ward (in Tokyo Metropolis): Starting in 1999, we have had the “Guideline on Accepting Businesses Desiring to Place Small-Scale Construction Bids,” through which we have created the “Directory of Businesses Desiring to Place Small-Scale Construction Bids” and have used this as reference when our ward is contracting for small-scale construction works. This came about because some construction contractors in our ward do not have the necessary license to apply for an evaluation in contracted construction work under the Construction Business Act, and consequently cannot place a bid on the competitive public tendering for public works.

■ Supporting New Product Development and Market Expansion

Tottori Prefecture: Based on our “Backed-Up Trial Tendering System,” we register the goods, software, and technology that meet our selection criteria and are developed by SMEs with physical presence in our prefecture as “trial tendering items” for a maximum of 24 months, publicizing these items to other agencies within the prefecture. If prefectural agencies desire to purchase them during this period, they purchase within the budget, and after a set period of time, feedback on the product will be provided to the business. (Budget is set as within 1 million yen.)



Expert Column

Regional Economic Circulation and Enduring Regional Businesses

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Regional Businesses: Protagonist of Regional Circular Economy Sustaining the Regional Economy

When it comes to regional decline, the concerns are not limited to depopulation. We also see major decline in the number of regional businesses, which have served as pillars of the regional economy. Comparing the results from the 2014 Economic Census for Business Activity [administered by the Statistics Bureau, Ministry of Internal Affairs and Communications (MIC)] to those from the 2006 Establishment and Enterprise Census of Japan (also administered by the MIC), the total number of businesses has decreased from 5.87 million to 3.81 million. In about 10 years, 2 million businesses have disappeared. What is interesting is when we look closely at the breakdown of the businesses. The number of big businesses used to be around 10,000 but was 11,000 in 2014, which meant there was an additional 1,000 or so large companies. Even with small and medium-sized enterprises (SMEs) – where a small business is defined as 20 or fewer employees for manufacturing and five or fewer in the commerce and service industry – medium-sized enterprises have grown from 550,000 to 557,000. Then, where have we seen the decline? Yes, in small businesses. There once were 5.31 million small businesses, but now there are only 3.25 million.

In sum, Japan has lost about 2 million businesses in about ten years, and majority of those that disappeared were small businesses. Small businesses are basically community-based regional enterprises that are often described as being in a symbiotic relationship with the regional community, and our country has lost 40% of them over the past decade. What does this mean? 2 million businesses vanishing is synonymous with regional communities, with whom these businesses had symbiotic relationships, losing their most prized enterprises. In a nutshell, this is the face of regional decline seen from the side of regional economic (business) activity.

Small businesses lie at the heart of regional businesses, as they rely most of the source of their business activities – such as their employees, business partners, and clients – on the region in which the business exists. Business owners, employees, and customers all live in the same region and are involved in their enterprise. There was and has been symbiosis from the very beginning.

Regional businesses persisting and continuing is essential to the regional economy, and to the regional economic circulation necessary for the sustainability of the region. Therefore, regional businesses enduring for years to come becomes the most important issue.

Regional Business' Three-Way Satisfaction and Lessons on the Importance of CSR

When we think about corporations, we realize that the concept of CSR (Corporate Social Responsibility) works as a scheme to preserve the ethics and the culture of the business, helping its persistence and continuation.

The CSR movement in the West actually aligns with the principles on business management that existed in Japan since the olden days and have since been passed down. During the Edo Period (1601-1868 CE), merchants from Omi (a then province in western Japan) upheld a family motto of “Three-Way Satisfaction,” which meant that a good business is one where “the seller benefits, the buyer benefits, and

the local community benefits.” Likewise, the Sumitomo Family (a large family business that began in Kyoto in the seventeenth century) had its motto, “Do not greedily chase easy money.” Furthermore, during the Meiji Period (1868-1912 CE), Eiichi Shibusawa (Japanese industrialist known as father of Japanese capitalism) believed “Abacus in the right hand, the Analects of Confucius in the left hand” (=businesspersons must have both community ideals and business skills to be successful). All of these ideas are still applicable today.

In these concepts we see the Japanese model of CSR existing. Given the fact that Japan has many businesses that have existed for over 100 years (and that over 70% of them are small businesses with 20 employees or fewer), I believe there are some deeply meaningful lessons to be learned from them, even for Western companies.

When I launched the *Yokohama Model Regional Contribution Company Certification System* in Yokohama City (Kanagawa Prefecture), aiming to promote regionally-based businesses that are “businesses that love the community and are loved back,” it was an attempt to formulate regional business policy based on this Japanese CSR model. This system certifies CSR activities among companies that are: a) locally based, b) conduct their business from the regional perspective, and c) are loved by and are growing with the local community. This was a program actively supported by the local government (i.e. City of Yokohama), prioritizing the regional uniqueness in certifying all businesses within city limits.

This regional economic policy was the first regional one among SME policies in Japan. Normally, these economic policies tend to be promoted uniformly across the country by the Japanese government, but this policy was taken up by the local government as a uniquely regional economic policy. The key here is in this policy’s focus on the regional community, where businesses strive towards loving the local community and being loved back in return. It was designed to take the national government-led SME policies, reconstruct them from the regional perspective, and turn them into regional economic policy that pursues the local residents’ happiness and presupposes their employment.

Businesses from the Regional Community Perspective: From Three-Way to Five-Way Satisfaction

Thinking about the endurance of businesses from the regional community’s perspective, we can add to the aforementioned concept of “Three-Way Satisfaction” to make it a “Five-Way Satisfaction” to better reflect how these companies can continue and persist. In these “Five Ways,” I include the original “Three Ways” of successful businesses, where 1) the seller, 2) the buyer, and 3) the local community (or society at large) benefit, and add two more beneficiaries of 4) the earth, and 5) the future (or change). The concept of earth being the beneficiary is predicated on the idea that the environment is something borrowed from future generations, and that corporate management should be environmentally friendly. The concept of our future being the beneficiary involves businesses adapting to the changes across time and thinking ahead into the future. Moving towards this “Five-Way Satisfaction” will lead the businesses and the community in which they exist toward enduring prosperity and sustainable regional economic circulation.

The key word here is love. For businesses to endure, it is fundamental that they “love the community” in which they do business. And, in return, if these regional businesses can be “loved, needed, and serve as a source of pride” in their community, they will continue on as epoch-making, history-creating existence.

For businesses to endure in a regional community, they need energy to do so, and love provides them with this energy. Love, in this sense, consists of the energy derived from feelings of respect, humility, and gratitude, so we can say that an enduring existence embodies ultimate love that asks nothing in return. Loving the community, therefore, not only allows for these businesses to persist, but can be the source of evolution and change for them as well.

The times are heading towards focusing more on regional and community issues, and this is true for

capitalism as well. The direction in which capitalism is headed is a shift away from the Western capitalism full of greed, moving through and beyond the Japanese style of capitalism that valued public interest, and now towards regionally circulating capitalism that is enduring. When each person in the regional community recognizes their mission as a calling, and when regional businesses can endure throughout the times, then each person's entire life course is valued, even allowing for healthful employment in their elderly years. Imagine a sustainable regional economy based on a warm-hearted regional society founded on love, where everyone can find joy for simply being present and for existing. Enduring regional businesses are what lie at the core of such society. When these companies can manage their businesses so that there is Five-Way Satisfaction, only then will they be able to save the region and the regional economy, support Japanese economy at large, and move towards peace on earth and in this world. Our future, therefore, may only exist in valuing regional community.

Let us not forget that enduring prosperity of the regional community cannot be made possible without its protagonist: the regionally enduring business.



A. Sustainable Local Community

A2. Contribution to Local Community

Overview

✓ The driving force of the sustainability of communities is companies as they grow together with the community where they are located. Companies and business enterprises are expected to become central actors in the local community, and fulfill their roles in response to what the community expects holding a view to contributing to the community. Local governments could also enhance the regional sustainability by evaluating the business enterprises in public procurement, and take effective initiatives to address the needs and issues of the community.

✓ By taking actions based on clear understanding on the needs and issues of the each local community, business actors are allowed to actively engage in the local residents and government. Better cooperation between the public and private sectors leads to strengthen the community ties and to build better governance in many areas.

(Reference: Masahiro Yoshida (2015): "Conditions for "Urban Areas that Are Remaining")

A2 Contributions to Local Communities- Initiative Items

A2.1 Disaster Prevention Cooperation

Each business enterprise is desired to make the use of their own resources and characteristics to take measures to improve the safety in local communities. For example, participating in community activities utilizing organizational capabilities, and volunteering for disaster prevention, and cooperating civil society organizations.

(Reference: Tokyo Metropolitan Government, "Local Disaster Prevention Plan Large-Scale Accident Part Chapter 5 Improvement of Regional Disaster Prevention Capability Section 3 Strengthening Disaster Prevention System at Business Sites")

A2.2 Child-rearing Support and Measures against Declining Birthrate

Work environment with a healthy work-life balance is promoted to ensure that employees are able to work without any worries for children or other family members in addressing the issue of the falling birthrates.

(Source: Ministry of Health, Labour and Welfare website, "Support for Child-rearing in the Workplace")

A2.3 Work-Life Balance

It is necessary to actively promote the harmony between work and life (work-life balance) so that people are allowed to choose a variety of lifestyles according to their stage of life.

(Reference: Gender Equality Bureau, Cabinet Office, "Work-Life Balance" Promotion Site "Report of the Working-Life Balance Promotion and Evaluation Subcommittee-Framework for More Widespread Evaluation of Companies Promoting Work-Life Balance, etc. in Public Procurement")

A2.4 Clean-up Activities

In order to hand over beautiful towns to future generations, businesses also need to contribute to the protection of the environment in the region where they operate, and work together with the local community to improve the environmental situation.

(Reference: Okayama City: Activities in the Area of Environmental Beautification)

A2.5 Collaboration with Local Communities

Strengthening the ties between communities and companies enables to achieve affluent lifestyle for citizens. Business enterprises are expected to play a vital role in the community development to revitalize the community and grow together.

(Reference: Yokohama City's Yokohama Community Contributing Enterprise Support Program and Utsunomiya CSR Promotion Council's Utsunomiya Urban Development Contributing Company Certification System)

Municipal Government Interview



■ The Kyoto Prefecture Public Contracts Guidelines

Former Main Building of

Through the Public Contracts Guidelines created in 2012, Kyoto Prefecture holds the Kyoto Prefectural Office up to fair competition, regional economic revitalization, and ensuring residents' safety and security as fundamental ideals in our public contracts.

Specifically speaking, while we have used the general competitive bidding system as a general rule, we have also included considerations for the regional economy in the comprehensive evaluation bidding system where the bidders can score higher ratings if they meet the criteria. Also, in procuring goods for the prefecture, we enforce procurement from small and medium-sized enterprises (SMEs) from within the prefecture, green procurement practices, and procurement from businesses making local contributions.

In the backdrop of the Public Contracts Guidelines were the frequent occurrences of bribery cases in public works during the decade between 1998 and 2007, and the consequent move towards eliminating illegal activities in public works tendering spearheaded by the National Governors' Association and others. There was also confusion caused by dumping as a result of excessive competition among bidders while municipal governments across the nation were reforming their public procurement tendering systems.

Public procurement can be generally divided into three types: public works contracts, purchasing services, and purchasing goods. Kyoto Prefecture's Public Contracts Guidelines were created mainly as a resource for public works contracts, to balance all of the various values involved in the bidding process, including prices, securing of competition, positive evaluation of superior bidders, elimination of inferior and unfit bidders, and revitalization of the regional economy.

■ Contributions to Regional Safety and Security

On the one hand, civil engineering and construction contractors are important community members, being the first to arrive at the site when disaster hits and the ones working hard on reconstruction work as "the bearers of regional safety and security." On the other hand, working conditions in the construction field is harsh, and labor shortage has been a serious problem for the industry. Encouraging young people to enter the local construction industry and developing the construction and civil engineering workforce are vital challenges from the perspective of regional safety and security. One of the main aims of the Public Contracts Guidelines is to help solve these challenges by contracting with local businesses in public works.

It is difficult to show how much specific impact these procurements based on the Public Contracts Guidelines are making on regional economic revitalization. Kyoto Prefecture's public works projects total around 60 billion yen, which is only a small fraction of the market, so the impact may not be as large. However, when we look specifically at civil engineering works, it is often estimated that about 80% of the market is through public works, so we can estimate that we have considerable impact in this regard. We do find it a challenge that we have not been able to quantitatively describe the social impact of the various efforts made based on the Guidelines, including the impact of intra-regional procurement.

While private companies most likely pursue their projects with specific businesses that they trust, government entities cannot do the same, having to take into account fairness, regional safety, and regional security. Consequently, municipal governments must be mindful of not having excessive amounts



A. Sustainable Local Community

of contracts concentrated on any single business and of making considerations for businesses that support the safety and security measures in the community. As such, we proceed with our projects as we balance the various challenges in the region with the roles we are expected to play.

In the northern part of Kyoto Prefecture and in other areas experiencing depopulation and advancement of ageing more rapidly than in their urban counterparts, heavier burdens are laid on these contractors with disaster response, snow removal, and other regional safety and security measures. Hence, the maintenance and development of the industry is a huge issue, and it is all the more important that we continue our efforts as the prefectural government, based on our Public Contracts Guidelines.

Based on the interview with the Section Chief, Public Contracts Reform Section, Tendering Department, General Affairs Division, Kyoto Prefecture, on June 19, 2018.



From the Kyoto Prefecture Website

Expert Interview

SPP's Economic Effects and Potential for Regional Economic Circulation

Makoya Kageyama

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Association of International Arts and Sciences, Yokohama City University



SPP's Economic Effects

In the research report we submitted to Yokohama City and others entitled, *Effects of Yokohama City's 'Basic Ordinance on the Promotion of Small and Medium Enterprises' (SMEs) on Procurement and the Economy*, we analyzed the economic effects of public procurement. This ordinance was a result of legislation brought forth by the city council members, enacted in 2010 after the Global Financial Crisis (GFC). We found that because of the substantial scale of the city's GDP, the ordinance's prioritizing of contracting with SMEs had virtually no effect. Further, with public works, which account for over 80% of the city's contracts in their gross amount, there was also no statistically significant difference found when we compared the percentage of SMEs in both the number of contracts and contracted amounts, during the years up to 2009 and in 2010 and later years. However, we must note that between 2008 and 2009, the city had increased its construction contracts with SMEs by 4.7% in their numbers and by 8.7% in their amounts in response to GFC. As a result, SMEs had a 2 percentage-point increase in the number of contracts and 12 percentage-point increase in contracted amounts. Since this trend has remained the same since, we might consider this also an effect of the ordinance. When taking a look at procurement as

a whole, there was significant difference in SMEs' when comparing pre-2010 numbers to post-2010 numbers. Since there is a tendency for these percentages regarding SME contractors to be adjusted to a certain extent, it is safe to say that fruit of Yokohama City's policies has shown itself in these outcomes.

Potential for Regional Economic Circulation

There is importance in promoting regional circulation and regional orientation in local businesses, but we would be out of touch with the times if we portrayed this as if a conflict where harsh global free competition is eliminated in order to develop the insular regional economic circulation. Even if we did build up an insular economy that has eliminated forces of globalization, we cannot expect trickled-down effects from public works because the industrial structure shifting. Moreover, even though propensity to consume is greater for low-income people, spending tends to be inhibited when people cannot foresee the future of the economy and find it difficult to have hope for the children's future. Distributing money temporarily under those circumstances would not lead to anything meaningful. Regional circulation is one approach for sure, but we would need to consider society as a whole before taking this approach. There is always the discussions about the Doshu Special Zone System (administrative reform that involves the integration of current 47 prefectures into much fewer districts) as a means to promote circulatory economies. This makes sense as an argument that in larger regional units economic activities can be self-contained for the most part, but even this argument may be a very limiting one.

On the other hand, there is increasing significance in regional circulation itself. Businesses are pushing forward their BCP (business continuity planning) efforts, and governments, as risk management, are adding disaster prevention to their comprehensive evaluation indicators. There are more disaster-response vending machines (or vending machines whose contents, such as drinks, can be used free of charge during disasters) in local communities, as well as more disaster prevention treaties between

corporations and governments. Recently, Caterpillar Japan moved its headquarters to Yokohama City, and it may well be possible that they would provide heavy machinery during disasters. With regards to energy, when municipal governments and citizens pay electric companies, it means the regional monetary resources are leaving the region. If we can make this money flow more visible, then it will make things easier for people to understand the significance of creating renewable energy within the region.

Globalization means advancing the market economy, and the market economy is a rational, reasonable system. While reason is based on generality and universality, human behavior has limitations and is restricted. For instance, a Ministry of Internal Affairs and Communications report suggests that the amount of commute that a person can actually tolerate is about 30-40 minutes each way, and this may prescribe the areas in which people's everyday lives take place. Furthermore, in the past, people formed communities that were centered on perceptions from their senses. Since sensist community life and rationalist economy are not compatible with each other, there was tendency for localism and globalism to clash.

Today, however, sensim that is based on the product of rationalism has been flourishing, and we find ways in which the conflict has been overcome. Living lab is a good example of this, where consumers and businesses sit at the same table to engage in discussions toward product development. In today's world, consumers do not often know their own needs, and marketing schemes from the past no longer work. Additionally, the market has been segmented and businesses need to respond more individually. This is where the aforementioned model comes in: businesses meet the regional residents where they are at, and try to draw out their senses-based needs. The problem with this model, however, is that products are produced outside of the region; regional needs cannot be met intraregionally, and procurement must occur extraregionally. Therefore, given this reality, communities must all be autonomous while mutually supportive, and, likewise, localism and globalism must rely on each other for either to survive and thrive.

The Spread and Future of Corporate Community Contribution Certification

As far as regional circulation is concerned, a scheme must be designed where corporations making regional contributions can be screened, and where these corporations shift from simply contributing to the community to being favored by the community. Yokohama has set up this very scheme in their Corporate Community Contribution Certification system. But exactly how much are businesses and consumers procuring and purchasing through this CSR scheme? Currently, public procurement only accounts for 1% of Yokohama's GDP. It would be meaningless unless this system is applied to the other 99%. The challenge lies, then, in the fact that environmentally-friendly products and ethical merchandise do not necessarily sell well; Japanese civil society's immaturity may also be to blame for this.

Also, when we take a look at the Japanese management style characterized by the seniority system, lifetime employment, and company unions, we see how it is a system that was intended to create a quasi-community. Community-like cooperation exists among the bureaucratic, political, and economic spheres, as well as among politics, businesses, and unions. Looking at the local community level, neighborhood residents' associations (*jichikai*) have existed. And in the corporate world under corporate groupings, SMEs and larger enterprises formed relationships built on favors (*go'on*, given from those higher on the hierarchical ladder to those further down) and services (*hoko*, given from those lower on the ladder to those higher up). The conditions within these community systems were in a state of *general slavery*, where people only focus on what is in front of them, and even though each individual is a protagonist in a democratic civic society, the individuals end up either self-regulating their actions or such actions end up being restricted by social systems. The reason why ethical consumption has not progressed in Japan may well be that citizens lack a "system image" view of society and that their actions are restricted. Finally, it must also be noted that Japanese management style is a model based off of wives being full-time homemakers to allow for men to function as company-men. Today, women's participation and advancement in the workplace has been promoted (as national policy by the current administration) even though this premise has not been fully wiped clean. What has resulted, then, is the view that women

workers are simply solutions for the labor shortage, and considerations for individual workers' work-life balance is just on a very superficial level. With the younger generation, though, we can see them shaking off their sense of belonging to these traditional communities.

Let us return to and conclude with the Yokohama model of the corporate community contribution certification system. Under this type of a model, businesses tend to strive towards being certified in order to earn the right to place incentivized tenders. IDEC (Yokohama Industrial Development Corporation), an affiliate organization of the city of Yokohama, and their external evaluators strictly evaluate applications for certification, but there are clearly some cases where businesses are not proactively engaged in CSR activities, and even some cases where application documents have been copied off of other applicants. This is an unfortunate reality, and similar cases are not uncommon with the SDGs as well, as seen in cases where critics have labeled them SDG washing (or corporations acknowledging their alignment with the SDGs without having made any meaningful contributions to the actual achievement of SDGs).

Interview on Friday, August 3, 2018

at Yokohama City University Research Building (Kanagawa-Hakkei Campus)



A. Sustainable Local Community

A3. Human Rights

Overview

✓ It is not easy to tell whether a human rights perspective is properly integrated in the business operations. However, we have methods to help identifying and addressing the risks of direct and indirect human rights violations. For example, confirming whether a business has sufficient policies for each of the items listed here, and evaluating the conducted due diligence to identify and address the risks of direct and indirect human rights violations.

✓ In the Japanese society, while the prevention of discrimination (Buraku discrimination, etc.) and various forms of harassment are regarded as the major issues, the need for adequate care in the aftermath of the incident is also emphasized. Especially the development of the systems to reduce various constraints and stigmas in reporting violation is in the urgent need.

✓ The UN Business and Human Rights Guiding Principles also highlights access to proper remedies. In response, the Tokyo 2020 Organizational Committee has established a dedicated contact point.

✓ Other topics regarding the protection of human rights includes focuses on vulnerable social groups such as women, local residents, people with disabilities, children, and LGBTQ. Public procurement needs to carefully take into account all these groups of people.

A3 Human Rights - Initiative Items

A3.1 Compliance with International Human Rights Standards

To comply with international treaties and standards related to human rights.

A3.2 Human Rights Due Diligence

To conduct human rights due diligence to identify actual and potential risks, and take necessary measures to prevent violations of human rights both direct and indirect.

A3.3 Eliminate of Discrimination

To eliminate any discrimination in all the business operations including the manufacturing process and the distribution process of procured goods.

A3.4 Harassment Prevention

To take necessary measures to prevent sexual harassment, power harassment, and other forms of harassment against relevant people inside and outside organizations.

A3.5 Women's Rights

To respect the rights of women and promote gender equality.

A3.6 Rights of Local Residents

To respect the rights of local residents and endeavor not to directly or indirectly violate fundamental rights such as property rights, land ownership, and environmental rights.

A3.7 Rights of People with Disabilities

In order to respect the rights of people with disabilities and support their participation in economic and social activities, it is expected for business actors to promote employing people with disabilities, making the workplace environment barrier-free, and using vocational products for people with disabilities.

A3.8 Child Rights

In order to respect the rights of children and support their healthy development besides the prohibition of child labor, companies need to ensure the children's safety in the use of the products and services and to support parents and guardians who are responsible for.

A.3.9 Diversity and Inclusion

To respect the rights of minorities including ethnic and cultural minorities, sexual minorities (e.g. LGBT), migrant workers, and other minorities, it is necessary to consider the protection of privacy in accordance with their characteristics, so that they enjoy equal economic and social rights.

A.3.10 Access to Grievance Mechanisms and Remedies

In the event of that a human rights infringement occurs, it is essential for victims to receive adequate remedies through a grievance mechanism and a contact point that allows the victims to report anonymously without suffering disadvantages.



A. Sustainable Local Community

Glossary: What is the Human Rights Due Diligence?

The original meaning of due diligence is "act properly or make proper efforts according to one's position (to avoid or mitigate adverse impacts)."

In the UN Guiding Principles on Business and Human Rights, due diligence is defined as a decision-making and management system, and also a program which encourage officers and employees to be aware of their entailed responsibilities. It functions as a criterion for determining whether or not they are responsible for management. That is the internal control over human rights risks.

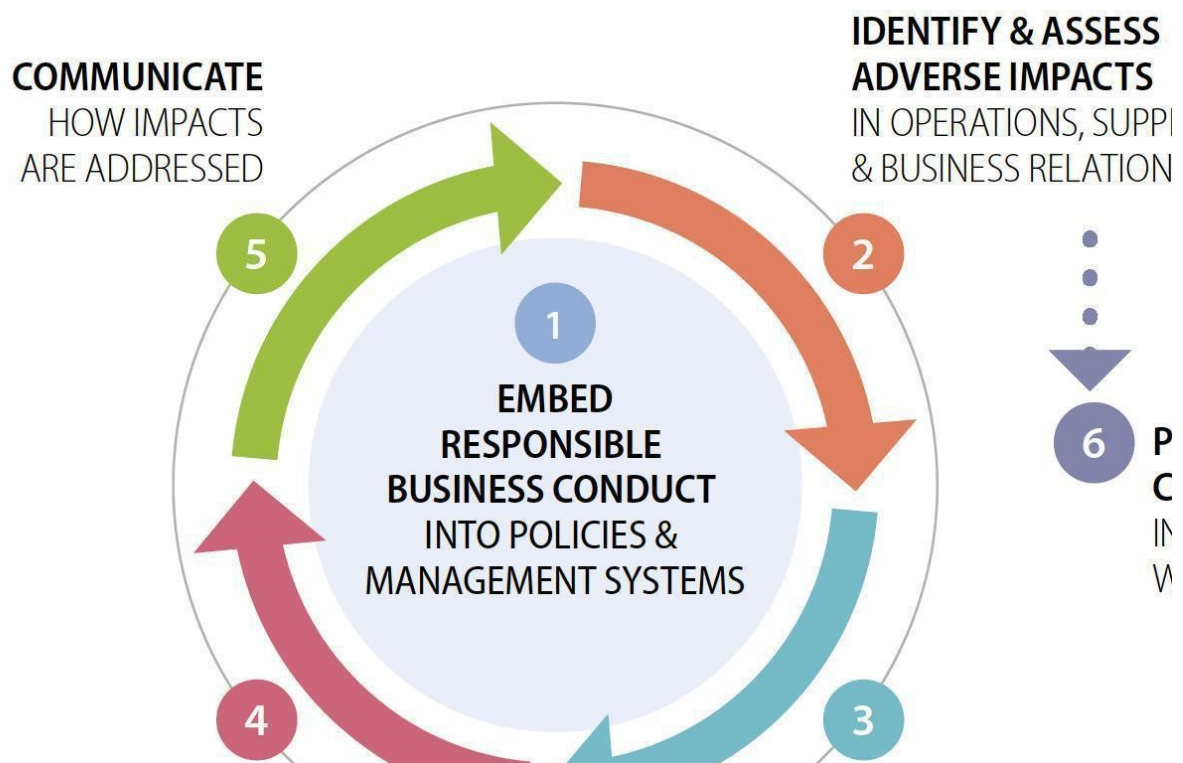
("Guidance for Human Rights Due Diligence" (Japan Federation of Bar Associations, January 2015)

Reference:

OECD Due Diligence Guidance for Responsible Business Conduct (2018)

The recent OECD guidance expects companies to follow the cycles as below:

Figure: Due diligence process and supporting measures



(Source: OECD)

Expert Column

“Public Procurement in Japan: From the Perspective of Business and Human Rights”

Daisuke Takahashi
Attorney



Guiding Principles on Business and Human Rights

How are the United Nations Guiding Principles on Business and Human Rights (UNGPs) impacting public procurement? The UNGPs, which was endorsed by the UN Human Rights Council in 2011, demand that states promote respect for human rights in public procurement (Principle 6) and that businesses also respect human rights throughout their supply chain (Principle 13), making these principles the driving force in promoting sustainable public procurement. With the UNGPs as an impetus, European states and others have established rules regarding supply chain management and introduced sustainability criteria in public procurement. In Japan, the 2020 Tokyo Organizing Committee of the Olympic and Paralympic Games has formulated and is following the Sustainable Sourcing Code based on the UNGPs.

The UNGP National Action Plan (NAP)

Japanese government is formulating a national action plan on business and human rights (NAP) before the Tokyo 2020 Games, and it is expected that respecting human rights in public procurement will be one of the core issues in the NAP. In fact, when the government initiated a baseline study in the first stage of this process, public procurement was considered an important theme and opinions were exchanged with stakeholders. Japan Federation of Bar Associations also considers it the utmost priority in the NAP to have human rights criteria introduced to public procurement. Additionally, the Japan Business Federation (Keidanren) has expressed their agreement with sustainability-friendly public procurement, including with the expansion of these measures among municipal governments.

The Impact of Respect for Human Rights in Public Procurement

How would respect for human rights and sustainability in public procurement affect society and businesses? In my experience as an attorney, it has left a deep impression on me that the introduction of organized crime exclusionary clauses to public procurement has successfully contributed to the exclusion of antisocial forces. Furthermore, it remains fresh in our memory that one of the nation’s largest advertising agencies was exposed as having violated the Labor Standards Act when a young female employee committed suicide after having worked excessive overtime; the company has been temporarily barred from bidding for public contracts. These examples illustrate how the strengthening of human rights criteria in public procurement is able to motivate businesses to make an effort in respecting human rights.

Public Procurement in Japan: Challenges and Suggestions

Even though some strides have been made as described above, public procurement in Japan faces various challenges with regards to respect for human rights and other sustainability issues. In Japan,

a comprehensive sustainable sourcing code does not exist yet, and the existing criteria for high-risk sectors prove insufficient. Compliance to existing criteria throughout the supply chain has not been sufficiently enforced, either. Implementing sustainability continues to be a challenge for small and medium-sized enterprises (SMEs). Grievance mechanism in cases of non-compliance is often not established yet. Even with the aforementioned Tokyo 2020 sourcing code, it is unclear how they will follow up on its reflection on public procurement in general in the future.

To overcome these challenges and to further promote sustainable public procurement, I suggest that we move in these directions and engage in these elaborations:

1. With public procurement criteria, incorporate sustainability criteria including respect for human rights, and demand compliance and disclosure.
2. Set strict and detailed sourcing codes for sectors and goods that are considered especially high-risk.
3. Demand contracting businesses that they work with other entities throughout their supply chain in compliance with the sourcing code.
4. Provide tools, trainings, and consultation opportunities to build the capacity of contracting businesses including SMEs.
5. Strengthen the capacity of procurers in charge of public procurement in the national government, municipal governments, and other public agencies.
6. Establish grievance mechanisms for non-compliance of sourcing codes.
7. Formulate criteria that match the business practices of Japanese corporations and existing legislative system. Incorporate criteria that facilitate the revitalization of sustainable communities to allow for acceptance and permeation among municipal governments.
8. Refer to lessons learned and challenges faced among domestic and international public procurement rules, such as the United States Federal Acquisition Regulation, the European Union Public Procurement Directive, and the Tokyo 2020 Sustainable Sourcing Code.

There are several options regarding the first suggestion on incorporating sustainability criteria in sourcing codes. They may include the use of sustainability issues as basis for inclusion, exclusion, or suspension of eligibility to bid. They may also include awarding extra merits in comprehensive evaluation tendering systems, or requiring compliance as a condition in the fulfilment of contracts.

As for the second suggestion, we must note that regulations tend to be applied to sectors that are recognized as having grave negative impact on human rights, such as forced labor, child labor, conflict minerals, and improperly secured raw materials. As such, considerations for even stricter and more detailed sourcing codes are to be hoped for in these cases. Especially when it comes to Japan, issues surrounding technical interns, migrant workers, and excessive overtime are recognized as serious human rights risks, hence we should anticipate strict and detailed sourcing codes in this regard.

Finally, concerning the seventh suggestion, it would be beneficial to establish sourcing codes that prioritizes businesses making contributions to the region so that municipal governments can more easily gain acceptance on sustainable public procurement. However, local governments must also guarantee fairness among businesses and avoid violating the WTO Agreement on Government Procurement (GPA). From this perspective, there must be clarifications on how businesses contributing to regional revitalization would also facilitate respect for human rights and considerations for sustainability, and there would be need for an objective tool to evaluate this. In this sense, I anticipate that CSO Network's sustainable public procurement guidance will be helpful.

From the *Report on the 4th Forum on Sustainable Public Procurement (SPP)* (November 8, 2018)



B. Responsible Business

B. Responsible Business

B. Responsible Business consist of Labor (B1), Health and Safety (B2) and Business Ethics (B3).

B1. Labor

Overview

✓ Long working hours and the work environment are major issues in Japan.

✓ Human rights issues in “labor” exemplified by forced labor, child labor, and discrimination, affecting not only Japanese workers but also foreign workers including technical interns, have been in a focus of the world’s attention.

B1 Labor - Initiative Items

B1.1 Forced Labor

Avoid exploiting people in all forms of forced labour (including debt slavery), human trafficking, and modern slavery. Do not placing unfair restrictions on worker’s fundamental freedom such as freedom of movement.

B1.2 Child Labor

Avoid allowing children under the age of 16 (in Japan) work for the labour force.

B1.3 Discrimination

Avoid any discrimination in employment and the workplaces.

B1.4 Working Hours

Prevent exceeding the working hours stipulated by law. Make sure it not exceeding 60 hours per a week including overtime hours and that workers will take at lease 1 day off in every 7-day period and receive paid annual leave.

B1.5 Remuneration and Welfare Program

Make sure workers receive wages, which are properly calculated, not less than the legal minimum wages, and without neither unfair wage deduction nor delay. Take the necessary measures to provide appropriate facilitates, such as a prayer room for workers in need,

B1.6 Ease of work for women

Take appropriate measures to improve the work environment and to control appropriate workload for women. Obtaining a certification such as Eruboshi and Kurumin is also available choices.

B1.7 Consideration to young workers and pregnant women

Avoid engaging young workers under the age of 18 and pregnant women in work , which actually or potentially threatens their health or safety, including night work and overtime work. Create the stress-free work environment especially for pregnant women and workers who have infants.

B1.8 Freedom of Association

Respect for Workers' rights to form and/or join labor unions, the right to collective bargaining, and the right to strike. Have a constructive dialogue between workers and employers without any discrimination, intimidation and harassment against such workers and/or the representatives.

B1.9 Foreign workers (including technical interns)

Comply with the laws and regulations regarding the work rights of foreign workers and migrant workers (including technical interns). Make sure such workers have no unpaid wages and unfair deductions, and ensure that the human rights are not violated (such as not taking up their passports or ID cards, respecting the right to freedom of movement). It is advisable that these measures are taken involving major suppliers

Municipal Government Interview: Noda City (Chiba Prefecture)



Displaying Products Manufactured in
Noda City, at Noda City Hall

Noda City Public Contracts Ordinance

In order to ensure the quality of work associated with public contracts and to raise the social value of public contracts, Noda City became the first municipal government in Japan to pass its Public Contracts Ordinance in September 2009. Since then, the city has been making an effort to expand the usage of the ordinance, and to revise the ordinance itself as well as its enforcement regulations. During fiscal year 2017, Noda City Public Contracts Council was set up to discuss even more suitable usage for this ordinance.

Significance of the Ordinance

Receiving fair wages for the labor is a very important element in raising the status of workers, and we believe our Public Contracts Ordinance can play a huge role. One of the reasons why Noda City became the first among all of the municipalities in Japan to create this ordinance was for the municipal government to take the initiative in tackling these labor issues so that we can ultimately influence the national government to take the lead, as it ought to do. Our goal, therefore, was for the Japanese government to develop legislation on public contracts. When public contracts ordinances like ours can help raise wage standards for workers, then we are contributing to industries like carpentry as they try to secure their successors amidst the labor shortage. Low price bidding can lead to lowered quality of construction work, which may then lead to lowered services for the residents. Proper public contracting is inevitable if we want to provide good quality services for the residents.

Relationship with Contracting Businesses

Noda City's Public Contracts Ordinance covers all workers who are exclusively working on targeted projects contracted with the city, and the contractor has the responsibility to report all payments of wages to the city. When this Public Contracts Ordinance is implemented and operated, clerical costs and budgets would rise, with the costs incurred while checking paid wages and the construction budget itself in some cases. However, when workers are promised their fair wages according to the work they are doing, the quality of public works will rise, and, in effect, the city can contribute to realizing a richer civic life for our residents.

Spreading the Ordinance

As stated above, Noda City created the Public Contracts Council during fiscal year 2017 to have other municipalities across Japan introduce public contracts ordinances that meet the originally intended purposes, and to discuss obstacles that stand in the way of the ordinance becoming more widespread. The council is made up of members representing workers organizations, businesses, and academia, and they have been discussing various issues from the long-term perspective, including how not to raise the hurdles for municipalities to adopt public contract ordinances and the impact the ordinance has on businesses. Since a liaison committee for municipalities on this ordinance does not exist yet, there are few

opportunities for information sharing amongst the municipalities. Japan Federation of Bar Associations has visited Noda City twice in the past, and they are working on developing legislation in cooperation with various stakeholders. We believe that it is necessary for different sectors to help ripen the opportunity for public contracts legislation.

Based on the interview with a staff member of the Property Department, General Affairs Division, Noda City, on July 3, 2018.

Expert Column

Considerations for Foreign Workers and Technical Interns in Public Procurement

Takeshi Shimotaya

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Foreign Workers in Japan: Focusing on Foreign Technical Interns

Decline in birthrate and the ageing of the population have advanced in Japan to a point where labor shortage has become conspicuous. To combat this shortage, especially in industries such as manufacturing and construction, foreign workers have been utilized. As of October 2018, 1.46 million foreign workers are working in Japan, filling in for the shortage of labor for large corporations and small and medium-sized enterprises (SMEs) alike. There are several categories of people residing in Japan without Japanese citizenship: highly skilled professionals; those with residence statuses based on civil status (i.e. permanent residents, spouses of Japanese nationals, spouses of permanent residents, and long-term residents); Japanese descendants; international students; and foreign technical interns. Among these groups, there are 308,000 foreign technical interns and 298,000 international students.

There have been numerous reports – from the United States Department of State Trafficking in Persons Report and research conducted by overseas NGOs, to the United Nations Human Rights Council and reporting done by the Japanese media – that foreign technical interns are at risk of forced labor, with some calling their conditions modern slavery. The human rights and labor issues faced by these foreign technical interns are occurring in the corporate supply chain. Therefore, when contracting with these businesses in public procurement, this is an area where the procurers must require businesses to comply with human rights and labor rights protections. Especially with public procurement, demanding that businesses consider social issues when contracting with public authorities can serve as an impetus for corporate action toward respecting human rights and labor, and also incentivize and impact the reform in these businesses' consciousness and business practices.

The State of the Foreign Technical Intern Program

The technical intern program was launched on the original premise of Japan making an international contribution through inviting young people from developing countries to receive highly skilled training, and for them to contribute to the economic development of their countries upon their return. However, the reality has been that this program has been used to employ low-wage workers for three years (and possibly extended to maximum five years, according to recent amendment to the law) in the so-called “3K” workplaces that Japanese workers, especially young workers, avoid. The three Ks stand for *kitsui* (physically taxing), *kitanai* (dirty), and *kiken* (dangerous). These foreign technical interns are interning at apparel factories, food processing plants, farms, metal processing plants, and other designated workplaces, but the majority of their technical training is said to be in jobs that are not conducive to actually learning highly technical skills.

It has been pointed out that there have been a myriad of issues concerning the conditions in which technical interns work, including long working hours, working below the minimum wage, forced labor where passports are taken away and kept by the employers, safety and health concerns, discrimination, sexual harassment, and abuse of power in the workplace. The Ministry of Health, Labor, and Welfare has reported that in 2017, 70.8% of the businesses employing technical interns (where these businesses are officially called training implementing organizations) violated the Labor Standards Act and other labor laws. Major violations included overtime work beyond the labor-management agreement (26.2%),

withholding the extra wages for overtime work (15.8%), and not implementing preventative measures for dangers and health hazards in the workplace (19.7%). There were 34 cases of grave and malicious violations of labor laws, and these violations have all been officially reported.

Backdrop to the Problems in the Technical Intern Program

The problems that foreign technical interns face are indeed problems caused by domestic businesses (or training implementers) in Japan, as Japan is the country accepting these technical interns. However, we must also note that many of these foreign technical interns have strong desires for “working hard and earning a lot in Japan,” and that they also face problems in the countries that sent them out, or their home countries, where many of them have taken out debt that needs to be paid back. In their home countries, these technical interns might have been told, “If you work as a technical intern in Japan, you can make a lot of money.” They might have believed this narrative, and were imposed hefty fees by intermediaries, or have had to pay security deposits or cancellation fees. These fees are very expensive for them, and some have borrowed money from parents and relatives to pay for them before coming to Japan, so their first objective upon arrival in Japan would be to work in order to pay off this debt.

Modern Slavery and the Shackles of Debt

This scheme is very similar to the one that has created modern slavery conditions across the globe. For instance, Southeast Asian countries like Malaysia and Thailand accept immigrant workers from neighboring countries. However, almost all of these immigrant workers have had no choice but to pay high employment placement fees to intermediaries and brokers to get employed. Since they have gone into debt to obtain employment, once they do start working, they must first repay this debt, and this repayment process may even take over a year.

Modern slavery often occurs when immigrant and migrant workers are tricked into believing that there are good jobs for them in the economically developed countries. The culprits create a condition where these workers must rack up debt that include moving fees and accommodation, and this debt shackles them to the job, making it impossible for them to run away. 50% of workers under forced labor conditions have ended up in their plight through this scheme. There are many workers who are in vulnerable positions like this, and especially when they seek employment outside of their home countries, the workers themselves are made to pay employment placement fees and are exploited through intermediaries and agents.

Towards a Solution: Great Expectations for Public Procurement

Around the world, people have begun to raise their voices to make sure this mechanism changes in the employment of immigrant and other vulnerable workers. Businesses and NGOs are working towards eradicating the employment fees. They have launched initiatives to put a stop to the workers paying their own fees for employment, and to shift to the “Employer Payment Principle” whereby the employing corporations pay all fees incurred.

As for foreign technical interns in Japan, in addition to the maximum training period being extended from three years to five, a new residency status category to begin in April 2019 was created for workers with “specified skills” in 14 industries experiencing labor shortage, including caregiving, construction, and agriculture. In the next five years, maximum of 345,000 people may be accepted under this new visa category, and it is assumed that those who have completed their technical internship will transition to this new visa status. Considering that Japan expects to accept an increasing number of foreign workers in these technical training and specified skills categories, it is imperative that we not only tackle the existing

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low-wage long-hour working conditions, but also solve the fundamental systemic problem of the workers incurring debt in their own countries.

If we only expand to try to solve labor shortage but fail to respond to and ignore all of the existing problems that foreign workers face in Japan, especially those that are more fundamental and systemic, we are also turning a blind eye to the conditions that place foreign workers in modern slavery. There is need to consider comprehensive measures that try to solve not only issues within Japan but also in the home countries of these workers, and there is only so much effort that individual corporations can make to combat the issues these foreign workers encounter in the supply chain. If the requirements set forth for bidders in sustainable public procurement can include these issues, then public procurement can contribute to solving these problems. In this sense, there is much to be hoped for in public procurement to consider these workers' rights and conditions.



B2. Health and Safety

Overview

✓ Business enterprises and organizations are expected to take measures of minimizing work-related injuries and illnesses, by providing preparation for emergencies and the safe and hygienic work environment, and by conducting appropriate risk assessments.

✓ It is requested to obtain health and safety certifications (including OHSAS 18001 and ISO 45001) and to introducing management systems.

B2 Safety & Health - Initiative Items

B2.1 Occupational Safety

Obtain a license for occupational safety, eliminate potential and actual risks to workers, focus on risk management, and make sure appropriate protective equipment provided and its safe use.

B2.2 Preparation for emergency (emergency plan, evacuation drill, etc.)

Assess the impacts on workers in emergencies, develop an emergency response plan of action, conduct evacuation drills, and prepare adequate equipment to minimize the impacts.

B2.3 Labor Accidents and Diseases

Take appropriate measures to prevent work-related injuries and illnesses, establish a reporting mechanism in emergency cases, investigate causes, and take corrective actions.

B2.4 Industrial Hygiene

Make sure protective equipment provided and its appropriate use. Prevent workers' unsafe exposure to chemical substances, biological substances and physical substances by identifying, evaluating, and controlling the risks.

B2.5 physical burdens

Understand physical burdens of certain work such as repetitive work and heavy physical work, and give consideration to workers based on a perspective of human engineering.

B2.6 Consideration for Dangerous Work (young people, women, pregnant women)

Minimize actual and potential risks of work-related healthy and safety, especially for young workers, pregnant workers, and workers have infants. Take into account their circumstances.

B2.7 Safety Measures for Machines

Assess the safety of production machines, take necessary protective measures when workers are at risk, and by taking the best care of protective equipment.

B2.8 Sanitary Equipment (Toilet, Cafeteria, Housing etc.)

Provide clean and safe sanitation, food facilities, and necessary accommodations.

B2.9 Communication on Health and Safety

Provide workers appropriate information and trainings of work-related risks in their languages.

B2.10 Certificates on safety and health (OHSAS 18001, ISO 45001)

Obtain external certificates in regard to work-related safety and health such as OHSAS 18001 and ISO 45001. Introduce a management system based on such certificates.

Municipal Government Interview: Tokyo Metropolitan Government



Photo: Women's Successful Participation in Civil Engineering and Construction; from the Tokyo Metropolitan Government Infrastructure Portal

Trial Five-Day Work Week in Construction Work

In order to create a work environment more conducive to new employees, the Tokyo Metropolitan Government Bureau of Construction has begun the “Five-Day Work Week Model in Construction Work” in the fiscal year 2015. Starting in the fiscal year 2018, the Bureau has called it the “Trial Five-Day Work Week in Construction Work,” and, as a general rule, applied the five-day work week to all civil engineering works.

For the “Trial Five-Day Work Week in Construction Work,” the percentages of common temporary structure costs and site management costs were revised to secure the necessary budget to have two non-working days per week. Also, we are getting ready to revise the labor costs and machinery (rental) costs in the budget as well, following the national government's lead. As soon as we are ready, we will adopt the same adjustment factor as the Japanese government in our budgeting.

Similar efforts are being made with selective cases in other bureaus within the Metropolitan Government.

Leveling Out the Timing of Public Works Orders Throughout the Year

At Tokyo Metropolitan Government, we have set a goal to shrink the vast gap in the number of public works orders between peak season and off season. Currently, there are about three times as many orders during the peak season, but beginning in the fiscal year 2016, we have been aiming to shrink the gap by half to make it about only 1.5 times as many, leveling out the orders throughout the year. The single-year budgeting brings us limitations, but we are hearing opinions from the divisional staff in charge and from industry groups as we try out different methods, including the assumption of debt, to reach some solution.

Leveling out construction works throughout the year is an issue that the Ministry of Land, Infrastructure, and Transport is also working proactively to solve as part of the national work-style reform. Likewise, at Tokyo Metropolitan Government, we believe this effort can help reform the management and labor environments for contractors and skilled workers, in addition to contractors experiencing fewer unsuccessful bids and better planned and more stable implementation of contracted works. Building on what we have worked on so far, we are currently planning our next steps for the fiscal year 2019 and beyond.

We have been sharing information and publicizing our efforts to level out the public works orders throughout the year on our Tokyo Metropolitan Government E-procurement System website, which targets potential bidders but can also be browsed by Tokyo residents in the general public.

Based on written responses from a staff member in charge of contracts, General Affairs Section, Accounting Division, Bureau of Finance, Tokyo Metropolitan Government, received on October 2, 201



B. Responsible Business

B3. Business Ethics

Overview

✓ Regarding business ethics in the context of public procurement (public bidding in particular), the focus is not to be limited to the rigging case which often reported in media outlets. Companies are expected to address a wide range of issues including the maintenance of healthy relationships with business partners, information disclosure, intellectual property, responsible marketing, repudiation against whistleblowers, responsible resource procurement, privacy and personal information protection, etc.

✓ It must be highlighted that local governments need to be aware of that they may encourage companies to do unethical business practices through public procurement. Avoiding those practices requires measures taken by local government as well as companies.

B3 Business ethics - Initiative Items

B3.1 Business Ethics Policy

Have a policy to prohibit all types of bribery and corruption.

B3.2 Elimination of inappropriate profits

Do not promise, offer, permit, and accept any means for obtaining insults and/or other unfair benefits.

B3.3 Fair Trade Practices

Comply with the Antimonopoly Act and the Subcontract Act, and do not commit to dumping, beatings, unfair practices such as rigging, or anti-competitive transactions.

B3.4 Information disclosure

Enhance the transparency of transactions, and accurately reflects in accounting books and records, disclose in accordance with applicable regulations and most prevalent practices.

B3.5 Intellectual Property

Respect for the rights of intellectual property and properly manage information of customers, suppliers, etc.

B3.6 Responsible Marketing

Comply with relevant laws and regulations such as the Unfair Display Prevention Act, avoid misleading customers, and conduct, responsible marketing in consideration of human rights (including children's rights).

B3.7 Protecting whistleblowers

Ensure a secure whistleblowing system provided which allows confidential and anonymous reporting. Make sure that whistleblowers protected and have no fear of retaliation in the process.

B3.8 Responsible resource procurement (conflict minerals)

Develop appropriate procurement policies for conflict minerals, 3TG (tantalum, tin, tungsten, gold) and other minerals of concern (cobalt, etc.) not to indirectly contribute to armed groups and human rights violations (child labor, etc.).

B3.9 Privacy / Personal Information Protection

Comply with relevant laws and regulation for privacy and personal information protection, and take steps to protect personal information of suppliers, customers, consumers, and employees.

<Related glossary>

What is a conflict mineral?

In recent years, regulations have been implemented in Europe and the U.S. to ban the use of conflict minerals from "conflict areas and high risk areas (CAHRA)". "Responsible minerals" is distinguished from "conflict minerals" as the former is a source of funding and money laundering to armed groups and consequently triggers massive human rights violation ranging from child labor to violent conflicts.



Conflict minerals include tantalum, tin, tungsten and gold (i.e. 3TG). Those materials are used to directly or indirectly fund the armed groups in the Democratic Republic of Congo and its neighboring countries causing serious human rights violation in various ways. Recently, NGOs points out the risk of child labor in the extraction of cobalt, which is often used for batteries of electronic parts. Companies and organizations are expected to endeavor ensuring not to directly or indirectly give any funds, supports or benefits to the armed groups, and to develop a new policy to prevent the use of conflict minerals by relevant due diligence on the mineral origin and distribution process, and disclose those investigation method. Japanese companies have been facing increases pressure to improve transparency and accountability in their operation.

From the perspective of "business ethics", the risk of conflict minerals is specified in the Tokyo 2020 Procurement Guidelines. Further development of rules and better practices in public procurement is expected in Japan. (For details, please go to JEITA's responsible mineral procurement study meeting report (<https://home.jeita.or.jp/mineral/>).)

* JEITA: Japan Electronics and Information Technology Industries Association



B. Responsible Business

The guidelines for advertising and marketing affecting children

“The guidelines for advertising and marketing affecting children” was developed in 2016 by Save the Children Japan in collaboration with Global Compact Network Japan and experts with the purpose for healthy development of children across industries. Based on the “Children's Rights and Business Principles” formulated in 2012 in the international community, a committee involving stakeholders in Japan had discussions to protect children's rights in corporate advertising and marketing. Companies are expected to meet the increased demand for responsible marketing.

(Reference: Save the Children Japan <https://www.savechildren.or.jp>)



Expert Interview

State of Sustainable Public Procurement

Hiroshi Muto

Professor, Graduate School of Public Policy and Social Governance,
Hosei University



The State and Analysis of Sustainable Public Procurement

I consider it a critical trend that so much action has taken place internationally in sustainable public procurement (SPP). In Japan, for example, there has not been many local governments that have introduced public contract ordinances. Local governments in Japan tend not to move things forward unless national legislations have been enacted, and in this sense the Act on Promoting Green Procurement has made things much easier for the local governments. On the other hand, when we look at the details, there are issues such as who exactly is selecting eco-friendly products, and we need a more proper mechanism for third-party evaluators to keep an eye on procurement. Also, it would be crucial to expand not only procurement but environmentally conscious activities as a whole. Japanese bureaucracies usually tend not to be good at comprehensive measures due to the fact that they are overcompartmentalized. Meanwhile, cross-sectional matters tend to be all taken up by the Cabinet Office, where it may take a long time for these matters to be moved forward. When we think about developing into a sustainable society, public sector does play a large role in procurement, but for the reasons stated above, it may be rather difficult in Japan.

Improvements in Public Works Tendering and Their Social Value

In this climate, even when comprehensive assessment system in public bidding has spread among local governments, these governments' responses and evaluations tend to be superficial and perfunctory, as was evident in the recent scandal of employment number padding for persons with disabilities. Yet, there are those that assess the more substantial aspects of agreements between local governments and potential corporate contractors. For instance, Kodaira City (of Tokyo) decided against the enactment of an ordinance because of the relationship between the mayor and the city council, and instead have worked off of an SPP system that they have set up. In this system, superficial elements such as the existence of disaster prevention agreements between the local government and the bidder do not count, but more substantial achievements such as having volunteered in disaster relief do count. Businesses agree with this approach. Another example is from Kokubunji City (also of Tokyo) and its comprehensive assessment system in public bidding, which came out of having to tackle a nonfulfillment of a contract they had with a cleaning company who had won the bid. When systems really change, the impetus may well be something negative, such as a contract retraction or bid rigging, that propels the transition.

Comprehensive assessment system in public bidding became possible when the Law on the Promotion of Quality Assurance in Public Works (March 2005) was made. This allowed for public authorities the option to take bids that are not the lowest priced when the contractor cannot secure the performance. This is not considered a revision to the Local Autonomy Law and the like, because it has been enacted as a Local Autonomy Law Enforcement Ordinance that does not require the local council's approval, and local governments can enforce at their own discretion. Ministry of Internal Affairs and Communications has mentioned function, skills, and technical strengths as additional elements to bid price, but local governments do not need to be constrained by this. Local governments often say that they are too concerned about complaints from the Japanese government to try something new, but when you read the Local Autonomy Law Enforcement Ordinances carefully, it is clear that they need not be concerned.

Local government procurers change frequently, but practically speaking, this may be unavoidable as a means to prevent procurers and local businesses from being too cozy with each other. I have been involved in public procurement as a researcher for over twenty years now, and I find that many procurers have only enough

capacity to continue what their predecessors have done. The revision to the Law on the Promotion of Quality Assurance in Public Works was at the hands of those who were closer to the contractors, but it is still worth recognizing that it helped move forth the comprehensive assessment system.

In terms of the so-called workstyle reforms that have been promoted by the current administration, there is a problem of low retention in the construction industry. With reconstruction works for the Great East Japan Earthquake and Tsunami, and construction for the 2020 Tokyo Olympic and Paralympic Games, there was already a labor shortage, but the bid rigging in the radioactive decontamination project contributed to further deterioration of the industry's image, resulting in even worse labor shortage. Procurers tend to take contractors into consideration to avoid failed tendering. They need to balance out tendering requests for construction works, releasing them when successful bids can realistically be made by potential contractors. Since failed bids are regarded the procurers' responsibility, there are real cases where procurers plead with contractors to take on near-impossible projects and in return help out with their next bid.

As for foreign (migrant) laborers, especially when it comes to the foreign technical trainees whose dire working conditions have made news recently, there have not been efforts made by local governments to check on their working conditions upon tendering. They do check whether or not the workers have purchased health insurance, or the if the employer is meeting safety standards. For the minimum wage, even municipalities with the public contract ordinances are not setting up minimum wage standards according to occupational type nor are they checking to see if they meet them (although the city of Kawasaki, in Kanagawa Prefecture, does have industry-based minimum wage standards). The public contract ordinance for the city of Noda (in Chiba

prefecture) was possible because the mayor was formerly working with the Ministry of Land, Infrastructure and Transport, and had a good understanding of construction companies. The mayor could cajole them and the ordinance was successfully passed. When we look at places like Aichi prefecture, though, where *Rengo* (Japanese Trade Union Confederation) was working hard to have an ordinance pass, the construction and cleaning industries fought against it and the considerations did not get any far. (Usually, companies that would not be able to bid under such ordinances will fight against them.) After all, though, the ordinance did pass in February 2016.

Community Contribution Certification System and Tendering

There have been moves towards assessing bids according to contributions made to the local community. Promoting local community contributions is something even the Ministry of Land, Infrastructure and Transport is saying now, and also something that values what the construction companies have already done. When it comes to evaluating the corporations' contributions to the community at a time of tendering, this measure was first introduced to prioritize local businesses. In this sense, this is a result of political battles. Often, these measures are intentioned to prioritize bidding on the part of local businesses, but there are some local municipal councils that set up systems where local businesses cannot bid for contracts from other municipal governments, hence increasing the barriers for participation in the tendering process. It would do much more good if the policy prioritized local hiring rather than local businesses bidding, but municipal councils tend to work against prioritizing the former.

Therefore, with the certification system for local companies and their community contributions, an objective system must be created. What kind of a business is a good business in this community? Isn't trustworthiness the key? Even if the bid price is a little higher, can we think of trustworthy bidders as better bidders? In this time of population decline, what must local governments do? We must think through these questions carefully.

There is a gathering of procurers from all 23 wards and 26 cities in Tokyo, where the procurement department from Tokyo metropolitan government also participates. People exchange information there. They say that they are also studying public contract ordinances and other things, but these are closed meetings, so I do not have any details. We might be able to find out if we file for information disclosure, though. My hope is for these gatherings, in which procurers connect and network with each other, to be the very venue for these discussions to take place.



C. Environment

*Interview on Thursday, August 23, 2018, 2-3 p.m.
at Hosei University Graduate School Building (Ichigaya Campus)*

C. Environment

C. Environment is divided into 4 sections: Environmental Management (C1), Climate Change (C2), Resources, Waste and Pollution control (C3), and Green Procurement (C4).

Overview

✓ This category includes environmental management certifications exemplified by ISO14001 as international standards and Eco Action 21 formulated by the Ministry of the Environment of Japan. Corporate evaluation is included in the process of public procurement, however companies are requested to take more active disclosure in relation to greenhouse gas reduction and energy consumption in climate change actions.

✓ While resource conservation, appropriate waste management, and pollution control continue to be important environmental issues, the ocean plastic waste problem is emerging and critical issue. In Japan, green procurement initiatives are also being implemented.

C1. Environmental Management -Initiative Items

C1.1 Compliance with Environmental Permits, Laws and Regulations, and Reporting Obligations

Report under the environmental laws and regulations, and obtain environmental permits.

C1.2 Environmental Management System

Have an appropriate management system to properly evaluate the environmental activities, and execute a PDCA cycle for improvements.

C2. Climate Change - Initiative Items

C2.1 Reduction of CO2 and greenhouse gas emissions

Measure the amount of CO2 emissions directly and indirectly emitted through its business operation, and set appropriate targets for reduction.

C2.2 Energy Saving

Seek the most cost-effective ways to operate its own businesses, and take measures to improve energy efficiency by minimizing energy consumption throughout all the business processes.

C2.3 Low Carbon and Decarbonizing Energy Utilization

Use carbon-free or low-carbon to reduce CO2 emissions.

C2.4 Information Disclosure

Proactively disclose information showing taken initiatives to reduce environmental impacts. (CDP responses and/or similar disclosure are desirable).

C3. Resources, Waste and Pollution Items

C3.1 Resource saving

Seek resource-efficiency at every process of business activities, including reducing, restraining the use resources such as materials and water, using recycled and recycable products and resources.

C3.2 Prevention of Air, Water and Soil Pollution

Take appropriate measures to prevent pollution of air, water, and soil, and minimizing the risk of pollution.

C3.3 Noise and Vibration

Reduce the impacts of noise and vibrations emitted from business activities, and prevent harming the health of local residents and workers.

C3.4 Chemical substances

Properly manage chemical substances, which are harmful to humans and the environment, from use to disposal.

C3.5 Waste management, 3R

Take a systematic approach to responsible waste management and 3R (reduce, reuse, recycle).

C3.6 Plastic waste

Reduce plastic waste based on the Marine Plastics Charter, and promote the use of substitutes, recycled, and/or recyclable materials

C4. Green procurement -Initiative Items

C4.1 Promotion of green procurement

Conduct value chain management that promotes green procurement throughout business operations.

Municipal Government Interview: Utsunomiya City (Tochigi Prefecture)



Mottainai: Nokoshima-10
Movement Poster

(=That's Too Good to
Waste: We Won't Be
Wasteful Movement
th



Utsunomiya City's "Mottainai Movement"

In order to become "Utsunomiya, an Environmental City," which is defined as a sustainable city with a low environmental footprint, the entire city government of Utsunomiya has worked on the "Mottainai Movement" ever since the Mottainai Movement Promotion Headquarters was established during fiscal year 2009 with then mayor heading the effort. ('Mottainai' is a Japanese term that is used to convey a sense of regret when something is wasted.)

With the city residents, the "Mottainai Movement Citizens' Conference" was established also during fiscal year 2009 when a total of 30 civic groups, businesses, and experts came together, and an awareness and enlightenment campaign targeting a wide audience has been in place in coordination with the city.

According to the census report of Utsunomiya City, the Mottainai Movement was recognized by more than half of the city residents, or 51.6% of the citizens to be exact (during fiscal year 2017). Thanks to this movement spreading, various environmentally friendly initiatives have taken root among the city residents, such as using reusable shopping bags (54.6%), not leaving food waste (53.1%), and purchasing refillable products (53.1%).

Every year, the Mottainai Movement Citizens' Conference hosts the Mottainai Fair, which drew a large crowd of 33,000 people for their fiscal year 2017 event. At the Mottainai Fair, many citizens get to learn about sustainable society while having fun.

Looking ahead into the future, as the Mottainai Movement Citizens' Conference celebrates its tenth anniversary during fiscal year 2018, we are thinking about holding the awareness and enlightenment campaign throughout the year. We hope to publicize the Mottainai Exercise to childcare facilities and preschools in the city as another way to promote awareness and to foster a sense of Mottainai in young children's minds. We also plan on enhancing the "Mottainai: Nokoshima-10 (ten)! Movement." (In correct Japanese, 'nokoshima-sen' means 'We won't be wasteful,' but 'ten' is used here as a wordplay and a pun

in place of 'sen' because of the tenth anniversary.) Lastly, we intend to hold the "Nokoshima-10 (ten)! Kitchen Workshop" as well.

The Mottainai Movement and Public Procurement

Utsunomiya City promotes environmentally friendly public procurement for both the local government and the businesses desiring contracts. On the government side, green purchasing is managed and promoted integrally through the Mottainai EMS (Environmental Management System)ⁱ, and on the businesses' side, procurement from environmentally friendly businesses is promoted through the Eco Utsunomiya 21 Certification Systemⁱⁱ.

Based on written responses from a representative of Utsunomiya City, received on August 9, 2018.

ⁱ Utsunomiya City's original environmental management system intended to promote ecofriendly local government activities with a sense of Mottainai and meant to be an efficient and effective tool.

ⁱⁱ Utsunomiya City's original certification system based on ISO 14001 and intended to spread the environmental management system.

Expert Interview

Regionally- and Environmentally-Friendly Measures Utilizing Ecolabels

Takashi Fujisaki, Program Promotion Section Chief, and Hiroyuki Kobayashi, Unit Head
Eco Mark Office, Japan Environment Association



Socioeconomic Aspects of Sustainability

On April 1, 2018, the Eco Mark Office of the Japan Environment Association published “The Policy on Eco Mark’s Treatment of the Socioeconomic Aspects of Sustainability.” In this policy document, we stated that we will consider the social aspects of products when we establish new certification criteria or revise existing ones. We added that we will begin by notifying and checking with those seeking certification with regards to compliance with both environmental and social laws and ordinances. As for entities in the supply chain, as the next step, we will ask them to check with the sources of their own procurement for legal compliance. Finally, we have specified in this policy that we will promote the encouragement of social initiatives that have garnered much domestic and international attention.

At the Eco Mark Office, we have felt a surge of interest in the socioeconomic aspects of sustainability as evidenced by the multiple opportunities we have had to speak on this topic since we released the policy. At the same time, we are also aware that we must be sufficiently careful about ethics-washing when a certification label like ours delves into the social aspects of products. At our office, as we currently undergo revisions of certification criteria for retail stores and for hotels and inns, we are moving forward while being cognizant of the social aspects of their procurement policies and of issues such as second-hand smoking.

Because social issues were naturally raised when we have established certification criteria and reviewed the lifecycle of products in the past, we may well say that we have always been in discussion. This policy document, therefore, was our response to the increasing interest in social responsibility in recent years, and the clarification of our thoughts on what Eco Mark can certify.

Eco Mark’s certification criteria are established by committees that consist of experts and others knowledgeable about the products, and in this process, we highly value the information we get from interviewing businesses and others who produce and deal with these products. At Eco Mark Office, we interview not only industry associations but various professionals working at the production sites, asking them about production technology and rules. We painstakingly gather information on the products from the technical knowledge and requirements to market trends. We believe that the reasons why our certification criteria can be widely used and play the roles they ought to play are precisely because of the fact that they reflect voices from the field that we collected earnestly and that these criteria are based on the trust we have built with the businesses. In terms of the social aspects of these products, we have in fact had these same things pointed out to us during our interviews at production sites. Many times, those working in production recognize these same problems that are considered social and societal as environmental challenges for them. To bridge the current state of production and the environmentally-friendly ideals, it is our mission as a third-party certification label – and something that lies at the core of Eco Mark – to provide a concrete benchmark to these businesses so that they have a goal that is half a step closer to the ideals.

Environmental and Economic Impact of Using Eco Mark Products

According to the Ministry of Environment in their study on local governments and the Green Procurement Act (officially, the Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities), many local governments say that the impact of green purchasing is “quantitatively

unknown.” At the Eco Mark Office, however, we have conducted research on the carbon reduction effects of certified products through obtaining scientific and empirical evidence. When done rigorously through scientific methods, estimating carbon reduction effects takes a tremendous amount of work, time, and funding to conduct; in fact, our research took about a year total. In this research, we calculated the carbon reduction effects of calculable products during their lifecycle, but, ideally, we know that it will be easier for consumers to understand and for local government and corporate procurers to gauge if we could somehow show exactly how much carbon emission is reduced per ballpoint pen, per ream of photocopy paper, or per any other specific item. But in order to do this calculation, we would need cooperation from each manufacturer, and we would have to change the kinds of product information that we request from them to submit to us.

When it comes to lifecycle costs of products, estimating this will be too hard under the current ecolabel scheme. It is difficult for the manufacturer to stipulate the products’ lifespan, maintenance costs, or other information in the realm of product usage unless the scheme mandates such stipulations. Thus, we have not considered the products’ lifecycle costs at this point, but in our recent study, we have asked businesses what the price differences are between products with Eco Mark certification and products without it. Survey results from the study on price differences with local governments may be invaluable in promoting green purchasing. Finally, when it comes to tendering items, if environmental specifications are set in advance, there would most likely be no difference in the tender price due to environmental considerations. It will be important, therefore, to firmly set environmental specifications in advance so that the products’ environmental considerations, not just their prices, can be appropriately evaluated.

Challenges in Spreading the Eco Mark

According to a study we conducted during fiscal year 2015, the Eco Mark has a 90.6% recognition rate among general consumers, which we find to be very high. Furthermore, in the Ministry of Environment study from fiscal year 2012, 96.6% of local governments responded that they take the Eco Mark into consideration when green purchasing, proving that the Eco Mark has been fulfilling a certain role in public procurement as well. On the other hand, the rate of green purchasing in local governments’ public procurement is on the gradual decline, and some Eco-Mark-certified businesses are not engaging in green purchasing in their own procurement. Therefore, we find it imperative that we strengthen communication and information dissemination to corporations and local governments.

Going forward, we would like to focus more of our efforts on establishing certification criteria in the service sector. Consumption trends are shifting from the consumption of goods to the consumption of services, but the status quo is that there are no guidelines yet for the environmental impact of the latter. With environmental friendliness regarding products, Eco Mark has covered everything that we can possibly target, so as a next step, we would like for the consumers to experience green purchasing through environmentally friendly services as a means to head us all towards a greener society.

The Global Role of the Eco Mark

According to the report on sustainable public procurement (SPP) by the United Nations Environment Program (UNEP), ecolabels are highly rated as something that can play a vital role in SPP. Japan’s Eco Mark was the second ecolabel created in the world, and we have led the global community in what is called Type I ecolabels, or third-party programs that certify products. Eco Mark Office has represented Japan as we engaged in UNEP’s 10-Year Framework of Programs on Sustainable Consumption and Production (10YFP), and we will continue to proactively collect information on the global trends concerning SPP and sustainable consumption and production in general.

Interview on Thursday, August 2, 2018 at Japan Environment Association Eco Mark Office



D. Compliance / Management System

D. Compliance/Management System

Overview

- ✓ Legal compliance covers proper payment of tax payment and social insurance, and many of initiatives below have been recognized by local administrations.
- ✓ A management system is a key that is always requested in a certification of ISO (International Organization for Standardization) and CSR audits. The management commitment enable companies to address social, economic and environmental sustainability, and materializing development and solutions suggested in the section A, B and C in this guidebook.
- ✓ D. The legal compliance and management system consists of legal compliance (D1) and management system (D2).

D1. Legal Compliance / Tax Payment - Initiative Items

D1.1 Compliance

Comply with relevant laws and regulations, including local and international laws in local country.

D1.2 Tax payment and social insurance

Avoid any delay in payment of taxes and workers' social insurance etc.

D2. Management System - Initiative Items

D2.1 Commitment

Have a policy approved by board of directors to confirm the social, economic and environmental activities listed in this guidebook.

D2.2 Compliance system

Build an internal system necessary for promotion of the social, economic, environmental, and ethical issues listed in this guidebook (including management reviews by employees in upper-managerial positions, monitoring of applicable laws and regulations , setting goals and targets, etc.).

D2.3 In-house promotion and training

Conduct training and capacity-building programs for employees to understand and implement policies, procedures, goals, etc. in order to promote the social, economic, environmental and ethical activities listed in this guidebook.

D2.4 Supplier Management

Manage the risks throughout the supply chain by engaging with the major suppliers to work together on the social, economic and environmental issues.

D2.5 Risk assessment and management

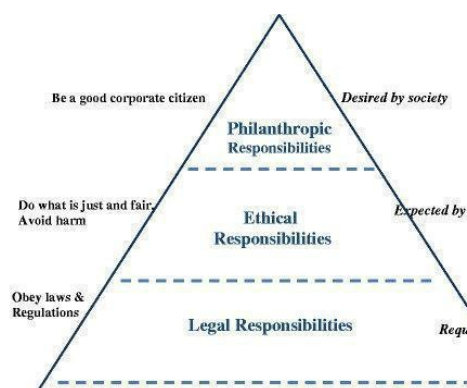
Evaluate and identify various risks in legal compliance, a community, the economy, the environment, etc. for understanding the relative significance,, and prioritize the risks prior to implementation of a suitable risk management.

D2.6 Audit, Evaluation, and Corrective Action

Conduct internal and/or external audit to respond to the expectations of stakeholders, and review the results of such audit to move forward.

D2.7 Documentation / Recording

Conduct document management to appropriately store and manage privacy and confidential information in regard to the initiatives shown in this guidebook.



Carroll's Pyramid of Corporate Social Responsibility (CSR)

The Olympic and Paralympic Games and Sustainability

Kaori Kuroda
Executive Director, CSO Network Japan

London 2012 as the Turning Point

The Olympic and Paralympic Games are the world's largest festival of sport, and also events at which environmental degradation and labor and human rights violations have been pointed out. In terms of the environment, environmental considerations have been a large issue since the 1976 Sapporo Winter Olympic and Paralympic Games. Later, the winter games in Albertville, France, was held during the same year as the 1992 Earth Summit, and there was a strong criticism against the environmental damages caused to the forests of the Alps, as the venues were scattered throughout the region and large-scale investments were made to set up the transportation infrastructure. In 1994, when the International Olympic Committee (IOC) celebrated its 100th anniversary, they declared that the third pillar for the Games would be the environment, in addition to sports and culture as the first two pillars.

Starting in the late 1990s, there was a surge in criticism against the poor working conditions under which workers in the supply chain of the sports equipment industry had been enduring. Demands for responsible supply chain management grew worldwide, and in the years leading up to the Athens 2004 Games, international NGOs and labor unions developed a *Play Fair at the Olympics Campaign*, demanding that sports equipment manufacturers respond by better managing their supply chain.

The London 2012 Olympic and Paralympic Games vowed to be “the most sustainable games ever” since right after the city won the right to host the Games. It developed “One Planet Living” as a central concept, and managed the Games with sustainability at its core, responding comprehensively to environmental, economic, and social challenges. The London Organizing Committee of the Olympic and Paralympic Games (LOCOG) established its Sustainability Plan and the Sustainable Sourcing Code, as well as the London 2012 Food Vision, which outlined the sourcing guide for the estimated total of 15.5 million meals served during the Olympic and Paralympic Games.

In 2007, the British Standards Institution (BSI), the national standards body for the United Kingdom, established the BSI 8901 Sustainability in Event Management, a standard designed to operate the London Games as an environmentally, socially, and economically balanced and sustainable event. Based on the BS 8901, the International Organization for Standardization (ISO) created the ISO 20121 (officially, ISO 20121:2012 Event Sustainability Management Systems – Requirements with Guidance for Use) right before the 2012 Games. The LOCOG immediately obtained ISO 20121 certification and implemented it in their operation of the Games.

In December 2014, the IOC adopted the *Olympic Agenda 2020*, in which it was stipulated that sustainability be included in all aspects of the Olympic Games and within the Olympic Movement's daily operations. Furthermore, IOC participated in the creation of the *2030 Agenda for Sustainable Development*, which was adopted by the UN General Assembly in 2015 and includes a paragraph on sports. In this agenda, it has been specified that “[s]port is also an important enabler of sustainable development.”

In these ways, the road had been paved to Tokyo 2020 Games, which has already begun their journey to sustainability. The world's eyes are on Tokyo to see how much it can contribute to building a more sustainable society.

Tokyo 2020: Sustainability Plan and the Sustainable Sourcing Code

After Tokyo won its bid to host the Games, the Tokyo Organizing Committee of the Olympic and Paralympic Games (TOCOG) launched its sustainability division, established its Urban Planning and Sustainability Committee, and began working on the Sustainability Plan and the Sustainable Sourcing Code. TOCOG also intends to obtain ISO 20121 certification as stated during the bidding process.

In 2015, Sustainable Development Goals (SDGs) were adopted at the UN, and the Tokyo 2020 Games put SDGs to the forefront. Additionally, it has been decided that starting with the Paris 2024 Games new host city contracts must comply with the UN Guiding Principles on Business and Human Rights. The Tokyo 2020 Games will adopt these Guiding Principles in advance, as specified in the Plan that the preparations and operations of the Games will comply with them.

Tokyo 2020's Sustainability Plan, Version 2, includes the following five themes: Climate Change; Resource Management; Natural Environment and Biodiversity; Consideration of Human Rights, Labor, and Fair Business Practices; and Involvement, Cooperation, and Communications (Engagement). Devising and using the Sustainable Sourcing Code is listed as one of the tools through which the Tokyo 2020 Games intends to implement this Plan and to manage its sustainable practices, but four other tools are also mentioned in the Plan: Sustainability Management System in Line with ISO 20121; Monitoring; Multiple Studies and Progress Management; and Conducting Environmental Assessments.

The Sourcing Code not only establishes the standards for sustainability but also states the methods through which compliance can be verified. There are also separate individual criteria for the sourcing of these following six categories of items often pointed out as having higher risks of causing environmental damages and human rights abuses in their supply chain, anywhere from their production to processing: timber, agricultural products, livestock products, fishery products, paper, and palm oil. When incompliance with the Code is reported, a grievance mechanism is set in place to accept such reports and to take necessary measures to resolve these cases. However, it has already been indicated that there are challenges and limitations associated with these, such as in the criticism that compliance verification methods fall short and that the Code only applies to direct procurement by TOCOG. It may not be realistic to believe that society will be changed immediately as a result of the Tokyo 2020 Games. However, we do see sustainability spreading across society, as more and more businesses and organizations are getting sustainability certifications.

Lately, public procurement has been gathering more interest around the world. With the National Action Plans on Business and Human Rights that countries have created in implementing the UN Guiding Principles on Business and Human Rights, over 90% of those already with National Action Plans have referred to public procurement as an important policy. When we take a look at Goal 12 (Responsible Consumption, Production) of the SDGs, we see that its seventh target is to "promote public procurement practices that are sustainable." If the Tokyo 2020 Sourcing Code is only for this sporting event alone, then society will lose out on the valuable opportunity to have sustainability take root. There is great hope for the Japanese government and municipal governments to use the Code for their public procurement practices after the 2020 Games, so that this legacy of the Games can contribute to building a more sustainable society.

Year	Olympic and Paralympic Games		Global Trends toward Sustainability
1992	Winter Games in Albertville, France	Harsh criticism of environmental damage	1992 UN Earth Summit (Rio de Janeiro, Brazil): Sustainability as a global theme
1994	Winter Games in Lillehammer, Norway	"Environmentally Friendly Olympic Games"; Environment was made the third pillar for the Games at the IOC Centennial Congress	
2000	Summer Games in Sydney, Australia	"Green Olympic Games" held up as the main concept	
2004	Summer Games in Athens,	Criticism of labor and human rights issues in the	Play Fair at the Olympics Campaign 2004

	Greece	supply chain of sports equipment companies	(international NGOs, labor unions, etc.)
2010	Winter Games in Vancouver, Canada	"Sustainability" held up as a theme	
2012	Summer Games in London, United Kingdom	"Towards a One Planet Olympics"	ISO20121:2012 (Event sustainability management systems) published; UN Conference on Sustainable Development (Rio+20)
2014	Winter Games in Sochi, Russia	Unpaid wages of workers surfaced; IOC "Olympic Agenda 2020"	
2015			UN 2030 Agenda for Sustainable Development adopted; Paris Agreement
2016	Summer Games in Rio de Janeiro, Brazil		

References:

Japan Olympic Committee website (Accessed on March 18, 2019): <https://www.ioc.or.jp/column/olympic/winterhistory/0202.html>

Tokyo Organizing Committee of the Olympic and Paralympic Games website (Accessed on March 18, 2019): <https://tokyo2020.org/jp/>

Policy Recommendation

Promoting Public Procurement to Enhance Local Sustainability

Taking into account the prevalence of SDGs in Japanese society, in this statement, we urge the Japanese government and local governments to take the following actions to further promote sustainable public procurement (SPP) for enhancing local sustainability.

1. Make sustainability a priority issue in public procurement

We highlight the importance of regarding sustainability as a priority issue in the context of Japan's public procurement practices. It requires the governments to promote a circular economy on a small scale and to develop sustainable bidding and procurement in local communities by adding sustainability standards to the public bidding criteria. In recognition of government-level initiatives for participation of people with disabilities and for women's empowerment, it is a time for Japan to consider public procurement focusing on "local sustainability".

2. Identify material issues for local sustainability from the perspectives of SDGs and local challenges

Local governments have a critical role in ensuring sustainability in local communities. Deep understanding on how public policies contribute to sustainability in local communities and how to utilize SDGs is essential to identify material issues for sustainability in local communities, and to implement necessary measures including promoting public procurement.

3. Incorporate global private sector initiatives and standards into Japanese public procurement

With regard to sustainability initiatives in the private sector, business enterprises have been facing continued pressure to incorporate sustainability in their business continuity plans due to the increase of relevant international standards. In recent years the application to public procurement has drawn the attention in the RBA (Responsible Business Alliance), and the impacts of international standards in the private sector is likely to reach to the public sector in the near future. Some of local governments in Japan, exemplified by Yokohama City, have taken initiatives in including certain "social value" in public procurement under the current system. In light of the social demands at the international level, it is increasingly expected to incorporate social value into public procurement.

4. Promote local governments' own initiatives on sustainability

Public procurement is not an absolute solution to solve all the issues which communities have had. Procurement is merely a tool, and additional initiatives such as policies, strategies, and measures are needed to improve sustainability in regions. We strongly believe that local governments have power to push the market forward to sustainability by showing own initiatives.

5. Supporting public and private stakeholders working on sustainability through public procurement

Japan's depopulating society has no time to spare to take initiatives for sustainability. Strategic resource mobilization through public procurement allows to supports various activitites conducted by stakeholders working on sustainability and social issues of local communities, and eventually results in revitalizing the community.

6. Actively commit to the SPP and show its policy and framework

We emphasize the importance of including public procurement in the 'National Action Plan on Business and Human Rights (NAP)', which the government of Japan has been in the process of formulating. The NAP is to be developed in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs). We call on the Japanese government to develop a comprehensive policy and framework for public procurement in consideration of sustainability within the formulation period of the NAP, and to create a lasting legacy as part of Tokyo 2020 Olympic and Paralympic Games Sustainable Sourcing Code. In paralell, constructive discussions and reviews of public procurement are required in line with promoting SDGs.

Overseas Observations Report EcoProcura 2018

EcoProcura is an international conference series which aims to promote exchange and dialogue among purchasers from governments, suppliers, and policymakers on the latest strategies and practical solutions on sustainable, strategic, circular, and innovation procurement.

ICLEI - Local Governments for Sustainability and the European Commission organize the conference series with host municipalities, and many representatives from public entities and local governments in Europe attend the meetings.



Each EcoProcura event focuses on different themes, and in early years there were more discussions on green public procurement and relevant environmental issues. In recent years, however, the focus has shifted to sustainable procurement with additional attention on public procurement of innovation and the circular economy.

CSO Network, along with the Green Purchasing Network (GPN), participated in EcoProcura 2018 to learn about sustainable public procurement (SPP) implementations and challenges in Europe at the local government level, in hopes of using what we learned there in communicating and sharing information back in Japan.

1. Conference Information

Dates:	Wednesday, October 3, 2018 – Friday, October 5, 2018
Venue:	Concertgebouw de Vereeniging, Nijmegen, The Netherlands
Organizers:	ICLEI Europe, City of Nijmegen, European Commission, Ministry of Infrastructure and Water Management of the Netherlands, Dutch Public Procurement Expertise Centre (PIANOo)
Supporters & Collaborators:	TCO Certified, FSC (the Forest Stewardship Council®), e Green Electronics Council (GEC)
Attendees:	About 320 people representing local governments, international agencies, national government agencies, ecolabel certification organizations, nonprofit organizations, businesses, and consultants

2. Program

EcoProcura 2018 event consists of plenary sessions, breakout sessions, and market lounges*. CSO Network also provided information for conference attendees at our information stand in the information exchange area on our activities including our “Nationwide Municipal Government Survey on Ordinances on Public Procurement.”

**A characteristic program at EcoProcura in a group discussion format, facilitating information provision and exchange on strategic procurement initiatives. Facilitators give presentations on procurement experiences, tools, good practices, processes, research projects and initiatives to encourage information sharing and discussion.*



Information Exchange Area (Fart Right: CSO Network's stand)

Strategic procurement is one of the conference themes of EcoProcura 2018 and is described as using public procurement to promote innovation towards greater sustainability and encouraging socially responsible public procurement. Due to a lack of case studies, support from leaders, and skills of purchasers, strategic procurement has not been well known. This conference focused on the necessary changes in action in overcoming these challenges.



Table 1: EcoProcura Conference Venues and Themes

Year & Venue	Theme
EcoProcura 1998: Hannover, Germany	Eco-Products
EcoProcura Europa 1999: Bilbao, Spain	Green Purchasing and Environmental Management
EcoProcura 1999: Copenhagen, Denmark	Waste Management, Water Protection, and Green Procurement
EcoProcura 2000: Lyon, France	Greening Public Authorities and Eco-Responsible Purchasing
EcoProcura 2003: Göteborg, Sweden	Mainstreaming Eco-Procurement throughout Europe
EcoProcura 2006: Barcelona, Spain	Practical Solutions for Sustainable Procurement
EcoProcura 2009: Reykjavik, Iceland	Climate Neutral through Procurement
EcoProcura 2012: Malmö, Sweden	Opportunities to Deliver Sustainable Procurement and Innovation
EcoProcura 2014: Ghent, Belgium	Sustainability, Innovation, and Cost-Efficiency: Taking Procurement Forward
EcoProcura 2018: Nijmegen, Netherlands	Sustainable, Strategic, Innovation, and Circular Procurement

3. Excerpts from the Conference

Day 1: Wednesday, October 3

Plenary 2: Using Procurement More Strategically

Presenter: Irmfried Schwimann, Deputy Director-General, Internal Market, Industry Entrepreneurship and SMEs, European Commission

At the beginning of this plenary, Irmfried Schwimann introduced *Making Public Procurement work in and for Europe*, which is a communication from the European Commission released in October 2017 stating that public procurement, representing roughly 14 % of the EU GDP, can be an instrument to solve policy issues, hence there is need for not only considerations on tax spending but also contributions to the growth of a socially responsibly market. When public authorities strategically use public procurement, they can use public funds for and contribute to building a more innovative, sustainable, inclusive, and competitive economy. The European Commission has six priority areas; ensuring wider uptake of strategic public procurement, professionalizing public buyers, improving access to procurement markets, increasing transparency, integrity and better data, boosting the digital transformation of procurement, and promoting joint cross-border procurement by the end of 2018.

The following panel discussion focused on how procurement can be used as a tool for achieving strategic procurement. In the City of Ghent, Belgium, where EcoProcura 2014 was held, sustainable procurement and strategic procurement are regarded as agendas of its municipalities, and they have teamed up with each other for achievement. Still, it is difficult for the entire city to keep focusing on the agendas, and

policy objectives are needed to achieve further results.

Mark Hidson, Global Director of ICLEI Sustainable Procurement Centre, noted that practitioners may be confronted with political, structural, and financial difficulties in promoting strategic procurement and expected to be familiar with legislations and product criteria. He understands these great demands placed on them, and still encouraged the attendees of the conference to act as innovators.

Day 2: Thursday, October 4

Plenary 4: Culture and Behavioral Change: Are You Willing and Able?

Presenters:

Dr. Jolien Grandia, Assistant Professor, Erasmus School of Social and Behavioral Sciences, Erasmus University Rotterdam, The Netherlands

Maria Pagel Fray, Special Advisor on Environmental and Climate Issues, City of Copenhagen, Denmark

Dóra Anna Kókai, Head of Project Management Unit, Municipality of Budapest, Hungary

Dr. Jolien Grandia listed four essentials in practicing sustainable procurement: knowledge, fit with the vision of the organization, just procedures and change agents. Both individuals and groups can become change agents in sustainable procurement. Their roles are initiating ideas, motivating people with communication about the potential of sustainable procurement, collecting and sharing information, advising, and problem solving. When someone decides to be a change agent, there are three keys to success; be proactive, personal, and selective. That is, think ahead and act accordingly by talking to your colleagues before preparing tender documents, meet with colleagues and suppliers to build a good relationship, and be selective so that you can achieve sustainability in the best procurement plans.

Maria Pagel Fray, special advisor on environmental and climate issues for the City of Copenhagen, spoke about organizational behavior regarding green public procurement (GPP). The City of Copenhagen has a total annual budget of 1.8 billion euros with 45,000 employees. Its seven administrative bodies have own procurement department. She highlighted that when an organization aims to achieve an objective, planning and decision-making must be done at three levels: strategic, tactical, and operational. Strategic planning of the city encompasses resource and waste management, green mobility, and climate plan. At the tactical level, a new policy was introduced on procuring ecolabels certifying products and services, along with participation of the city in EU's BuyZET Project¹. At the operational level, she listed the guideline for environmental criteria and the support provided for the tender process. She stressed that setting goals is crucial for implementation of GPP. This includes getting the top management level to acknowledge the importance of procurement as a tool to achieve sustainable transition and reach sustainability targets, explaining overall benefits, capacity building, and providing training opportunities.

The third presenter was Dóra Anna Kókai from Municipality of Budapest, describing SPP targets. Budapest became an ICLEI member in 2018, and its goals included introducing 169 electric vehicle chargers by the end of the year, having 70% of the newly procured public transportation vehicles in Budapest be clean by 2020, reducing carbon emission by 21%, having 30% of the procurement evaluation criteria be based on sustainable principles, and providing training opportunities for employees at least once a year. Budapest has planned short-term plans and activities and medium-term goals to achieve these targets. The short-term plans and activities include implementation of the Electric Procurement System in accordance with the EU directives, purchasing of electric vehicles and setting up of charging stations, and the continuous evaluation and monitoring of sustainability performance in public procurement. The medium-term goals include employing skilled staff, raising awareness of energy conservation and sustainability among the employees, and active involvement in international initiatives.

¹ <http://www.buyzet.eu/>

Lorenz Berzau, a representative from a global business association, Amfori, pointed out the similarities between public procurement and businesses; both have found difficulty with buying products that meet minimum social and environmental criteria. He mentioned that many businesses have recognized their social responsibility upon visiting and seeing the working conditions of factories of their products. He also emphasized the importance of sharing knowledge and cooperating with those who are experiencing the same challenges, gaining support from those at the top of the organization, and working with the organization in solving these issues.

During the panel discussion, panelists commented on the relationship with businesses and changes in behavior. The City of Budapest, which has only recently begun to engage in SPP, made sure that the market is ready for this, publicized SPP, communicated to procurers the value created by public procurement, and positioned public procurement as a tool in achieving long-term targets. On the other hand, the City of Copenhagen has encouraged procurement of ecolabels certifying products as one of their goals and recognized the importance of dialogue with businesses in order to gaining their understanding of GPP. Additionally, Dr. Grandia introduced an example of the Netherland where a couple of ministries started asking for sustainable organic catering and organic daily products in their cafeterias more than a decade ago and how this served as an impetus for retailers to sell organic food products. It has become more difficult now to find non-organic milk for purchase in the Netherland.

Finally, Lieve Bos from the European Commission introduced initiatives that promote modernization in the public sector, noting that using specific procurement technics, training and support, strategic goals, action plans, and incentives are all effective to bring about cultural and behavioral change. Different European countries and the EU have worked on various efforts, and the European Commission has had a region-wide program to promote information sharing and coordination among Member States. For example, strategic goals focus on different sectors such as environment, health care, transportation, construction, security and safety of citizens, education, and postal service, and each country has set its own carbon emission reduction goals in accordance with the Clean Vehicles Directive and the Public Procurement Directive. The Procure2Innovate² project improves institutional support for public buyers through the establishment or expansion of competence centers for innovation procurement in ten European countries. Also, the Horizon 2020³ gives grants to research and innovation projects, including ICT solutions in public services or digitizing the health care field.

² <https://www.innovation-procurement.org/projects/procure2innovate/>

³ <https://ec.europa.eu/programmes/horizon2020/en/>

Breakout Sessions: People, Process & Performance – Bringing It All Together

During the breakout sessions on the second day of the conference, initiatives, approaches, good practices, and tools for sustainable, circular, innovative, and strategic procurement were discussed. These included discussions on organizational culture and behavioral change based on the following six themes. CSO Network presented on cases from Japan at Session 5.



- Session 1: Measuring the Effect of SPP
- Session 2: Innovate, Integrate, Motivate: Inspiring People to Do Innovation Procurement
- Session 3: The Challenge of Change: Sustainable Finance and Procurement
- Session 4: High Risk Category Procurement — Increase Supply Chain Sustainability through Purchasing
- Session 5: Global Perspectives: Connecting Municipalities around the Globe for Sustainable Public Procurement
- Session 6: Supporting Local Economies and Communities through Social Procurement

Session 1 introduced different projects and studies of monitoring and measuring SPP impact. It has been widely recognized that showing the results can be effective in promoting SPP, but evaluation methods have not been established as of yet. The challenge lies in evaluation items and methods varying from country to country and the consequent a lack of a clear baseline.

According to the 2017 Global Review of Sustainable Public Procurement by UN Environment, an increasing number of countries are conducting SPP evaluations, but there is no clear baseline. For instance, Denmark and Finland monitor SPP in a case study-based approach, while France measures the social integration, and Japan and Korea evaluate carbon emission reduction from ecolabels certifying products.

The Netherlands focus on professionalization, political manifesto, pilots/green deal, and monitoring based on the idea that purchasing sustainable products rather than demanding for them in order to bring about changes to the market. The Dutch method has been tested and illustrated by application to eight product/service groups: electricity, gas, solar panels, company cars, transport services, contract transport, business trips, and occupational clothing. For 39% of the tendering of these product/service groups, stricter tendering criteria and requirements were applied. As a result, there was reduction in greenhouse gas emission of more than 4.9 megaton between 2015 and 2016. This is equivalent to the average annual emissions from more than 600,000 households. Reduction in the emission of toxic substances and increase of recycling and job opportunities were also notified as benefits due to SPP. The application of the method shows that it is possible to make an estimate of the effect of SPP by using basic data. However, there still remains challenges. For example, there was insufficient basic data available for a good effect measurement for some product groups. It is also pointed out that applying sustainable procurement does not guarantee effect because minimum demands are not always more stringent than what is available on average on the market.

In Sweden, a public owned company called SKL Kommentus Inköpscentral AB (SKI) is a central purchasing body performing coordinated procurement for all local governments. SKI is owned by the Swedish Association of Local Authorities and Regions, SALAR, whose constituents are all of Sweden's municipalities, county councils and regions. Because municipalities often do not have enough resources for monitoring their tenders, SKI offers them a follow-up service to check ethical and social requirements used in their procurement. SKI conducts audits in nine risk areas: construction materials and building appliances; vehicles and fuel; IT and telecom; office, school, and leisure/sports; food; furniture; cleaning materials and chemicals; medical supplies; and shoes and clothes. For these areas, SKI selects two or three as special priority each year and conducts monitoring in three steps: self-assessment, office audit, and on-site audit referring to eight conventions and laws, including the Universal Declaration of Human

Rights, the UN Convention on the Rights of the Child, Article 32, the ILO Core Conventions on Forced Labour, Child Labour, Discrimination and Freedom of Association and Collaborative Bargaining, and the UN Convention against Corruption. The audit results will be published on the SKI website in which SKI's customers can easily read the report and see what status a specific supplier has. The benefits of this follow-up system include saving time for both suppliers and contracting authorities (CAs), getting professional and experienced support for CAs, and improvement work at supplier level and in the value chain with reduced risk of socially unsustainable production.

4. Summary and Analysis

- The focus of public procurement in the EU has shifted from green procurement to sustainable, innovation, circular, and strategic procurement. This trend is considered to be linked with the EU economic policies. In fact, the EU advocates open international public procurement markets for certain goods and services, and works to help EU companies get access to the markets. Public procurement accounts for 15-20% of global GDP, and public procurement commitments under the World Trade Organization's Agreement on Public Procurement (GPA) have been estimated at around EUR 1.3 trillion.
- EcoProcura is a unique and important platform for sharing good practices and lessons in public procurement, but there remains a challenge in raising awareness of countries and local governments who have not participated in this conference. The European Commission has encouraged Member States to draw up publicly available National Action Plans for greening their public procurement. Estonia, Greece, Hungary, Luxembourg, and Romania have not adopted any plans or equivalent document as of May 2017. Even though some countries, regions, and local governments have implemented SPP, filling a gap within the EU is also a challenge.
- Lack of specialists and difficulties in measuring the benefits are barriers to implementation of SPP. Improving the knowledge and skills of public buyers are common issues for countries and public entities within and outside the EU. More national and local government may be encouraged to implement SPP if they can expect specific benefits, but impact measurement of SPP is a big challenge for all.
- Developing a policy framework, supporting SMEs, and shifting the market are the keys to implementation of SPP. The Netherlands has successfully implemented SPP as national policy, but there are few countries like that. It is essential to have a legal framework and political support as well as leadership and ambition of public buyers for implementing SPP on the ground.
- Securing transparency of social aspects and traceability in SPP, including global supply chain, will be the next big issue. For local governments, developing social criteria, selecting suppliers, and conducting follow-up after the contract has been signed are often overwhelming. Thus it is necessary to build a mechanism to lessen these burdens for them.

Reported by Atsuko Hasegawa, Green Purchasing Network (GPN)



Market Lounge 2



The CSO Network Japan (CSONJ), Non-Profit Foundation, has a vision of "Realizing a fair and sustainable society in which the human dignity is ensured". CSONJ is a non-profit organization, which mission is to "Find valuable efforts for a fair and sustainable society, and Encourage solving social issues by participating in multi-stakeholders". Our project pipelines are, promoting (1) Social Responsibility (SR) and Sustainability, (2) Sustainable Public Procurement, and Building sustainable local community based on the local ownerships, (3) Sustainable Development Goals (SDGs), (4) Social impact assessment, and (5) Collaboration with overseas organizations (Asia Foundation etc.). We conduct surveys/research, awareness raising, organizing event/seminars, and policy advocacy, etc., in partnership with network with domestic and international CSOs (civil society organizations) and various sectors. In July 2017, CSONJ launched the "Vision 2020", the first medium-term business plan for the organization, which aims to contribute to "various and tangible challenges will be in practice in Japan by 2020 for transformation toward sustainable society including achieving SDGs.

Guide on Public Procurement for Sustainable Local Community in Japan

~12 Criteria to Make Community Institution More Sustainable~

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CSO Network Initiatives to Promote Sustainable Public Procurement

Photos (from top)

Eco Mark Seminar "Eco Mark and Sustainable Public Procurement" (June 29, 2018 Tokyo Japan)

Session on public procurement at EcoProcura2018 (October 5, 2018 Netherlands Nijmegen)

The 4th Sustainable Public Procurement Forum (November 8, 2018 Tokyo Japan)

Session on public procurement at 2018 United Nations Forum on Business and Human Rights (November 26, 2018)

