

Research Report

Sustainable Public Procurement (SPP) In the Era of SDGs

–Global Trend and Status in Japan–



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INTRODUCTION

Sustainable Public Procurement (SPP) in the Era of SDGs

The theme of this report is Sustainable Public Procurement (SPP). Many of you may find the term unfamiliar, but it is our hope that this report will familiarize the readers with SPP as something that must be integral to the citizens' expectations for government agencies and the public sector in achieving a sustainable society. When it comes to public procurement, it is no longer sufficient to simply avoid unfair practices, bid rigging (collusion), or other violations of applicable laws. In fact, public procurement is expected to be a strategic policy instrument towards achieving a sustainable society.

SDGs and SPP

In September 2015, Sustainable Development Goals (SDGs) reached agreement at the United Nations. SDGs, which include 17 goals and 169 targets, are a roadmap for a transformation towards a sustainable world, and these goals take us through 2030. SDGs passed with unanimous support from UN member states, and this means that Japan also faces questions in its domestic and overseas efforts as to how the nation will contribute to the policy objectives in the SDGs and how it will transform itself. Sustainable Consumption and Production (SCP), or Goal 12, is considered one of the most characteristic goals among the SDGs. It urges society to transform how it produces and consumes, and, in this sense, SPP is seen as one of SCP's vital pillars.

Domestic and International Trends in SPP

First and foremost, caring about sustainability in public procurement is regarded as a social responsibility towards the taxpayers. However, SPP's scope is not limited to this, and SPP has the potential to be a policy means that can be an effective incentive and impact in reforming the mindset of corporations and economic practices as a whole. As ISO20400 (Sustainable Procurement) is expected to be published in 2017, businesses will also be required to abide by the international standards in its supply chain management, having to give considerations to environmental, social, and economic sustainability in their procurement practices. Whether it is in the public or private sector, it is safe to say that there is an international trend in demanding sustainability in procurement. In the Japanese context, there has been much focused attention on procurement for the 2020 Tokyo Olympic and Paralympic Games. The organizing committee has drawn up the Fundamental Principles for the Sustainable Sourcing Code and is in the process of thrashing out the details in each area of procurement. There is hope that 2020 would provide an impetus for SPP to spread further, starting with the metropolitan government of Tokyo inheriting this as an Olympic/Paralympic legacy, then the standards set in Tokyo would be mainstreamed and adopted by local municipal governments throughout Japan. Indeed, for Japanese municipal governments driving forward the SDGs, SPP has the potential to be the keystone in their public policymaking.



Expectations for Japan

SPP has a far wider reach than it is commonly believed. Beyond environmental sustainability, it also pertains to economic and social aspects, with the latter including human rights and labor, so it will not be sufficient to simply chose “eco-friendly” office supplies.

Japanese government has been successful in legislating green (eco-friendly) purchasing ahead of other nations with its understanding of the so-called Green Public Procurement measures as an advanced effort. Looking toward 2020, the Ministry of Environment newly established a non-binding target called the “Premium Criteria,” aiming to raise its eco-friendly purchasing standards even higher. On other fronts, Ministry of Health, Labor, and Welfare is promoting procurement that prioritizes persons with disabilities while the Cabinet Office is promoting procurement prioritizing women’s participation and advancement in the workplace. Both of these measures are a testament to the progress made in the social aspect of public procurement in the governmental sector. Still, the reality is that these are implemented independently in order to meet individual policy goals, not as part of a comprehensive effort to promote SPP.

SPP was not included in the guidelines and concrete promotional policies for Japan’s implementation of the SDGs, which were made public by the administration in December 2016. We have arrived at the era of SDGs, and, as such, we have come to a point where Japan, as a country, should step up its game and set its national strategy and vision based on the comprehensive concept of sustainable public procurement.

Local Government Actions

When we shift our focus to the local governments across Japan, there have been cases of municipalities that go beyond environmentally conscious procurement like green purchasing. For instance, from the socioeconomic perspective, Yokohama City and Saitama City built in mechanisms that demand their contractors to promote CSR, and Kyoto Prefecture, Kyoto City, and Kokubunji City (in Tokyo) have clearly defined the need for contributions to the local economy in their procurement policies and guidelines. While it is important for the national government to take leadership through policymaking, I find it noteworthy when municipal governments are recreating procurement policies into innovative ones as a result of thinking through ways to ensure local sustainability based on the local context. Given budgetary restrictions, ingenuity is clearly a must in these endeavors, and it is safe to say that these municipalities must strengthen connections and accelerate the sharing of knowledge and experiences among each other.

In Europe, International Council for Local Environmental Initiatives (ICLEI) has boosted its support on SPP for local governments in Europe. The backdrop to this move was an EU directive on procurement presented in 2014, in which one can find specific guidelines and principles for promoting SPP. Based on these guidelines and principles, local governments in Europe are going through trial and error in the implementation of SPP. This could be something from which Japan can also learn.

As I outlined above, with all goods and services that the public sector procures, there has been an



accelerated move towards sustainability from the environmental, economic, and social perspectives. In such context, each department in the public sector would be required to set their own priorities based on their own context, implement procurement policies and practices, and evaluate themselves on their contributions to sustainable society.

About This Report

This report reviews and examines SPP from the following perspectives:

- What is SPP? Why is it necessary?
- How has SPP been promoted in the procurement processes within the international community?
- How much has SPP been implemented in Europe and the United States?
- What is the current state of SPP in Japan?
- What issues must be considered and what challenges must be overcome in order to mainstream SPP in Japan?

At CSO Network Japan, we have begun a three-year project since FY2016 called “Research towards the promotion of SPP practices and the development and dissemination of guidelines.” 2016 was also the first year of implementation for the SDGs. This report summarizes the fundamental outcomes from the first year of this project. It may not provide straight-forward answers on the how-to questions regarding implementation of SPP. However, with very limited existing literature in Japan that comprehensively covers SPP, it is our hope that this report will serve as a basic reference for furthering discussion and towards mainstreaming SPP practices in Japan.

Katsuji Imata
Board Chair, CSO Network Japan
April 2017





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1. What is Sustainable Public Procurement?

How do international organizations think about, implement, and manage sustainable public procurement (SPP)? In this chapter, we will explore this question through the examples from Procura+ European Sustainable Procurement Network, which is a network of European public authorities for sustainable procurement, and the United Nations Environment Program (UNEP), who serves as the leader for “The 10-Year Framework on Program on Sustainable Public Procurement”¹.

1.1 Defining Sustainable Procurement

How is sustainable procurement defined amongst international organizations? Procura+ (2016)² defines the term and explains as follows:

Sustainable procurement means making sure that the products and services your organization buys achieve value for money on a life cycle cost basis and generate benefits not only for your organization, but also for the environment, society, and the economy. To procure in a sustainable way involves looking beyond short-term needs and considering the longerterm impacts of each purchase.

¹ “The 10-Year Framework of Programs on Sustainable Consumption and Production Patterns” is one of the tangible and operational outcomes of the United Nations Conference on Sustainable Development (Rio+20); it is a global framework to expand international cooperation to accelerate the shift towards sustainable consumption and production in both developed and developing nations. Its specific goals include: a) Establishing SPP through promoting sustainable consumption and production and through improving the knowledge on and effectiveness of SPP as a tool for supporting green economies and sustainable development; and b) Supporting implementation of SPP on the ground through strengthening cooperation and access in the assistance brought forth by capacity building tools and SPP professionals.

² Procura+, European Sustainable Procurement Network. “The Procura+ Manual -3rd Edition-”, 2016



Procura+'s (2016) attitude toward sustainable procurement can be consolidated into the Venn diagram (Figure 1). Sustainable procurement, therefore, “ensure[s] that [the organizations'] purchasing reflects broader goals linked to resource efficiency, climate change, social responsibility, and economic resilience” (Procura+ 2016).



Figure 1: Impact of sustainable procurement (Procura+ Manual)

On the other hand, UNEP (2012)³ defines sustainable public procurement (SPP) and elaborates as follows:

[...] Every [public] purchase is an opportunity to drive markets towards innovation and sustainability. [...] SPP enables governments to meet environmental goals such as reducing greenhouse gas emissions, improving energy and water efficiency, and supporting recycling. The social benefits of SPP may include poverty reduction, improved equity and respect for core labor standards. From an economic perspective, SPP can generate income, reduce costs and support the transfer of skills and technology.

From the sustainable development perspective, UNEP (2012) further defines SPP as follows:

A process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment.

Moreover, UNEP (2013)⁴ introduces definitions by other agencies. In fact, the definition cited above is the definition of SPP that was adopted by the Marrakech Task Force. Additionally, the definition of Green Public Procurement (GPP) by the EU has been introduced as follows:

³ UNEP (2012), Sustainable Public Procurement Implementation Guidelines, Introducing UNEP's Approach

⁴ UNEP (2013), Sustainable Public Procurement: A Global Review, Final Report



a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured.

1.2 Benefits of Sustainable Procurement

What are the benefits of sustainable procurement? Procura+ lists the following seven areas as benefits of sustainable procurement.

a) Meeting Environmental Policy Goals

Through sustainable procurement, reduction in carbon emissions can be addressed at an early stage, whereby preventing supply chain disruptions and costly adaptations to environmental regulations later. Also, sustainable procurement aims to conserve, reuse, and responsibly manage resources, use renewable or recyclable materials, and to reduce waste.

b) Meeting Other Sustainable Policy Goals

The content of government labor contracts can serve as influential model for local employment and labor conditions. For example, referring to apprenticeship periods in labor contracts and choosing suppliers that can ensure local benefits would bring societal benefits.

c) Financial Efficiency

Sustainable procurement may be costly upfront, but through saving energy, water, and waste over the long term on a product or services can lead to financial savings. Additionally, overall costs can be reduced when more efficient systems are implemented or when resources are shared with other organizations.

d) Reputation

Consumer interests in sustainability issues are growing year by year, and there is expectation for public organizations to lead in solving these issues through sustainable procurement. By becoming a leader in this area, public organizations can not only create a positive atmosphere for employees and contractors but also reap potential benefits through gaining environmental, social, and economic advantages.

e) Risk Reduction

Through contributions to a more professional environmental assessment and controlling the risks, sustainable procurement can reduce the risks regarding litigation or contract termination.

f) Market Transformation and Innovation

Through adopting and implementing public procurement policies that specifically target innovation, the local economy is stimulated to develop market-based sustainable solutions, and each organization can ensure reaping benefits from new technologies and processes that it has developed.



g) Quick Success

Implementation of comprehensive and sustainable procurement takes time and resources, but implementation of sustainable procurement is actually a simple process with immediate benefits through various means. For example, at national and international levels, labels for products that make environmental and social contributions have been widely spread, and this has helped the implementation of sustainable procurement initiatives.

1.3 Challenges of Sustainable Procurement

What are the challenges surrounding sustainable procurement? Procura+ outlines them and their solutions as follows:

a) Lack of Understanding of the Benefits of Sustainable Procurement Among Politicians and Budget Holders

Public procurement tends to be under much pressure due to insiders as well as the general public desiring to see costs being cut while demands are being met. These challenges are due to those with decision-making responsibilities lacking understanding or recognition of the potential benefits of SPP. As one solution, participating in initiatives or projects such as Procura+ can help make the current political commitments and the processes visible and certain. Also, organizing internal workshops and sharing other organizations' best practices can also help gain support.

b) Lack of Clear Definitions

Many procurement professionals are struggling with defining what "environmentally and socially preferable" goods and services are and how they can reflect the public's demands when publicizing tendering opportunities. As a solution, they can refer to the GPP (Green Public Procurement) Criteria⁵, which is recommended by the European Commission, and to labels and certifications given to sustainable products.

c) Changing the "Lowest Price Only" Mindset

The largest challenge for the public sector is not purchasing price per se but how they can change perceptions on the true cost or value of a purchase based on its life cycle costs. One solution is to provide simple information regarding the financial benefits based on life cycle costs. Many case studies can be found in the Sustainable Procurement Platform⁶ and on the European Commission's GPP website.

d) Missing Market Intelligence

The market for sustainable goods and services are growing rapidly, while many public institutions have not been able to catch up with the growth. As a solution, preliminary market consultation can be conducted, and this will serve as a good means for the public sector organization to recognize

⁵ http://ec.europa.eu/environment/gpp/index_en.htm

⁶ <http://www.sustainable-procurement.org/>



costs, risks, and benefits of sustainable and/or innovative procurement before publishing a tendering opportunity.

e) Inflexible Procedures and Attitudes

Most organizations have established procedures and processes for procurement, and sometimes lack flexibility. The staff in charge of procurement may also be hesitant to make changes or to open doors to innovative ideas and new suppliers. One way to solve this is to utilize the Procura+ Management Cycle to help efficiently manage procurement. The key in this process is to involve all relevant internal stakeholders and to communicate with them so that their incentives for implementing sustainable procurement can be found.

f) Lack of Internal Communication and Support

Those in charge of procurement need the help of technical experts and other units when implementing sustainable procurement, but existing structure of communication makes it difficult to engage in this process, hindering long-term cooperation among teams. As a solution, adoption of a sustainable procurement policy can aid in the establishment of smoother communication and lines of responsibility. Also, setting up cross-functional teams can help address questions that arise when considering sustainability.

g) Misinformation and Misconceptions

There are organizations that regard sustainable procurement as something special, even though there have been efforts made to mainstream it. To tackle this challenge, these organizations must raise awareness of sustainable procurement and address issues that arise when training and educating procurement professionals.

[COLUMN]

“World Trends: Global Lead Cities Network on Sustainable Procurement”

Masumi Yoshikawa (Program Officer, ICLEI Japan)

Throughout the world, efforts toward the realization of a sustainable society through local governments’ public procurement practices have been gathering attention. It is estimated that 15 to 20% of the GDP of each country in the world consists of procurement in the public sector⁷, which makes the role of local authorities a large and important one. Using their purchasing power wisely could contribute to the development and expansion of the market for goods and services that give consideration to environmental, social, and economic effects, and ultimately to the

⁷ UNOPS (2014) Supplement to the 2013 Annual Statistical Report on United Nations Procurement: Procurement and innovation. https://www.unops.org/SiteCollectionDocuments/ASR/ASR_Supplement_2013_WEB.pdf



realization of a sustainable region and the world.

Since 1996, ICLEI - Local Governments for Sustainability, an international network consisting of local governments whose goals are to realize a sustainable society, has been providing information on SPP, creating opportunities for networking, and assisting in the development of human resources in response to member governments' demands.

In April 2015, the Global Lead Cities Network on Sustainable Procurement was launched through the initiative of Park Won-Soon, the President of ICLEI and Mayor of Seoul, in order to accelerate the shift to sustainable consumption and production. 14 local governments participate in this network including Seoul (South Korea), Oslo (Norway), Auckland (New Zealand), and Montreal (Canada)⁸, and they are committed to developing policies and strategies toward setting goals and implementing SPP. Every year, the Network has been reporting on the outcomes and progress of their efforts.

Through the Network facilitating the local governments' sharing of successful cases and lessons learned, there is great expectation for these cases and lessons to be replicated and applied to other local governments and, eventually, be scaled up to be adopted worldwide, as we strive to move toward a more resource efficient and low carbon society as outlined in the SDGs and the Paris Agreement.



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Local government members of the network (partially photographed) © ICLEI e.V. /2015

⁸ As of February 2017



2.1 Sustainable Public Procurement Management Methods

Effective management is indispensable to the success of sustainable public procurement (SPP). What kinds of management methods do international organizations suggest? Procura+ states that a management system that has been well designed can ensure the long-term and effective systematic inclusion of sustainability considerations in the organization’s procurement activities, and it introduces a management cycle that has been developed building on years of experience of its participants. The Procura+ Management Cycle consists of the two preliminary steps and the four management steps as shown in Chart 2. Each of these six steps will be described below.



Chart 2: Procura+ Management Cycle



(1) Preliminary Steps

1) Building the Case for Sustainable Procurement

The important first step is to build the case for sustainable procurement by showing how the organization would benefit when official sustainable procurement policies and strategies are implemented widely.

2) Gathering Support

In order to successfully implement sustainable procurement, it will be critical to gather necessary political support.

(2) The Management Cycle

1) Set the Scope and Targets

The starting point for developing the organization's sustainable procurement strategy is in considering what the goal is and determining the direction of the strategy. The two main items in this step are scope and targets. Scope refers to what procurement activities of the organization are covered by the strategy, and targets include the process of setting them and determining the indicators with which you measure its success and failure.

2) Develop Action Plan

An action plan is a document that succinctly and clearly defines specific needs and practices of an organization in its procurements. It must be communicated and be accessible to all employees involved in all stages of the procurement process, and its scope and details will depend on the comprehensiveness of the implementation approach.

3) Implement Action Plan

Implementation of the action plan will depend on the content of each organization's plan. Regular information sharing and reviews prove effective in keeping the action plan on track.

4) Monitor and Report

This step is for assessing whether the targets, which had been set by the head of the organization, had been achieved, determining if there are any existing problems, and considering solutions. This step also involves exchanges in opinions, which can serve as a good opportunity to gain the attention of external stakeholders such as public service users, suppliers, and other public authorities.

2. 2 Sustainable Procurement Process and Key Sectors

Procura+ describes the process of sustainable procurement in the following eight steps.

1) Pre-Procurement

As a preliminary step in procurement, its necessity and purpose must be properly understood. At the same time, there must be understanding on from which market the goods and services are procured.

2) Deciding on the Procurement Process



When there is enough information gathered and when the scope of sustainable procurement, which is to be targeted in a contract, has been set, approaches to the procurement process can be determined. Many procurement processes are competitive. Also, approaches are set based on many factors including time, market size, and organizational preference. Tender calls must be made public in official journals or in accordance with the rules of each procurement activity.

3) Defining the Subject of the Contract

If procurement directive is more concerned about how you buy rather than what you buy, then the contracting official must give ample consideration to the subject matter of their tender calls.

4) Selection/Exclusion of Bidders

This selection stage of the tendering process is important in signaling the use of sustainable procurement and in evaluating past experiences and technical capacities of bidders. The 2014 EU Directive allows for the exclusion of companies that do not meet specific conditions and to select bidding companies that are most suitable for the contract based on past experiences and technical abilities.

5) Technical Specifications

Technical specifications must be explained in terms of concrete and measurable requirements. These specifications are absolute, which means that bidders who cannot meet them will be excluded.

6) Award Criteria

At this stage, all bidders that meet the minimum technical specifications are assessed on both cost and quality aspects of the award criteria. In the 2014 EU Directive, environmental, social, and innovative characteristics are shown to be included in the quality aspect of the criteria.

7) Contract Performance Clauses and Management

Many of the impacts that sustainable procurement tries to solve only become visible during the delivery of a contract. Therefore, the benefits of sustainable procurement can only be recognized when they are reflected on the contract's performance and management. In order that the bidder properly implement the specifications in the contract, it will be important that you have robust terms and conditions in the contract, and you also administer realistic assessment and allocate realistic amount of time and resources on monitoring performance.

8) Other Considerations

According to the 2014 EU Directive, the following new opportunities have been addressed in relation to sustainable procurement: fair trade; reservation of contracts for enterprises with a specific social mandate; social, health, and cultural services; and fully electronic tendering. Furthermore, Procura+ also lists construction, ICT (information and communication technology), cleaning, food and catering, vehicles, and electricity as the six key sectors for sustainable procurement.



2.3 Sustainable Public Procurement Monitoring Systems

The preceding section stressed the importance of monitoring as a method of managing SPP, but how exactly would monitoring work? In “Monitoring Sustainable Public Procurement Implementation: Recommendations and Case Studies,” UNEP (2016) recommends the following as enabling frameworks and efficient systems to monitor SPP implementation.

(1) Policy Level Recommendations

The following elucidates the policy level recommendations that enable and assist in the promotion of frameworks for SPP monitoring.

- a) Create an “enabling framework” to monitor and measure SPP implementation by establishing policies and action plans
- b) Decide which levels of government (local or national) will be targeted for particular policies and monitoring
- c) Goals and objectives must be SMARTT (Specific, Measurable, Achievable, Realistic, Robust, and Time-based), so the prerequisite is to engage in early considerations on how the objectives will be measured.
- d) To build consensus on goals and objectives, all relevant parties (especially the procurement units) must be involved in the process.
- e) Mobilize the stakeholders and appoint a monitoring agency or department with enough capacity to ensure leadership.
- f) Strengthen commitment and clarify authority for the monitoring agency through inclusion of clear monitoring responsibilities, requirements, finances, and human resources.
- g) Consider giving incentive regarding SPP reporting and results. This is especially effective if compliance to the rules is voluntary or when the organization in charge has limited authority.
- h) In countries where initiatives exist for the innovation and improvement of the government’s overall procurement and management systems, integrate the basic SPP policy goals and monitoring requirements into the process.

(2) Management and Implementation Level Recommendations

The following illustrates the recommendations for supporting efficient and effective SPP monitoring systems at the management and implementation level. UNEP demonstrates these steps as shown in Chart 3.

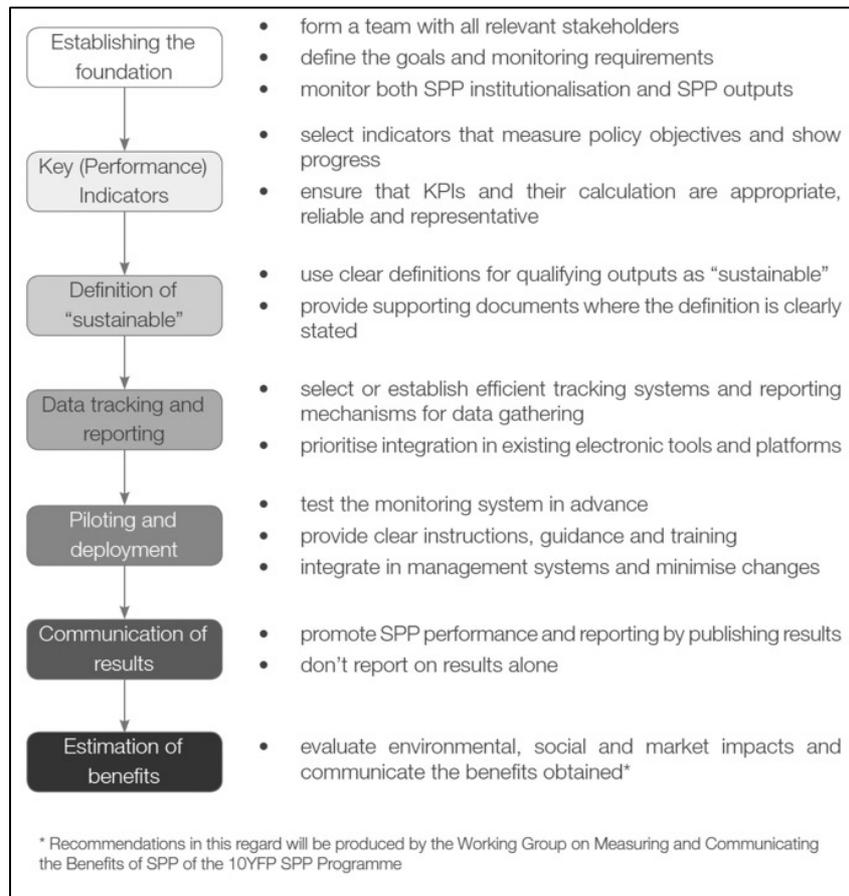


Chart 3: Main Elements of and Recommendations for Defining and Setting Up SPP Monitoring Systems (UNEP)

1) Establish the Foundation of the Monitoring System

- a) Establish a team with all relevant parties
- b) Monitor the institutionalization of SPP and its outputs, and estimate its outcomes (benefits) if an appropriate method is available
- c) By using the monitoring system, consider other desirable goals
- d) Set the minimum requirements for monitoring in order to promote the obtaining of reliable, representative, and comparable results.

2) Define Key (Performance) Indicators

- a) Define appropriate indicators
- b) Begin with a few indicators that are easily manageable, and increase as monitoring and tracking tools develop and improve.
- c) Consider the output indicators by comparing the implications of monitoring procurements and the actual purchases.
- d) Define the scope and calculation methods of output indicators.
- e) Make sure that the statistical approaches and assumptions of the calculation method are reliable and produce representative results.
- f) Encourage gradual implementation, and set performance levels that demonstrate the progress



to all relevant stakeholders.

3) Define “Sustainable”

- a) For output indicators, clearly define “sustainability” for monitoring purposes in order to obtain more accurate data and comparable results (See Chart 4 for UNEP’s definitions of “Sustainability”).
- b) When promoting data tracking and improvements, be aware of the implications that the definitions of “sustainability” have, and seek a balance between the definitions of “easily trackable” and “shows achievement while promoting improvement.”
- c) Provide documentation with definitions of “sustainability” (e.g. standardized technical specification, tender models, guidelines, etc.). Furthermore, attempt to integrate these definitions into the procurement tools.

| Aspects or areas | Definition of “sustainable” |
|--|--|
| 2 Procurements with sustainability criteria | Based on: single attributes (e.g. recycled, bio-based ¹ , energy efficient); single or multi-attribute sustainability norms, standards and certification schemes (ISO Type I ecolabels ² , International Labour Organization conventions, fair trade, “Design for All” ³ , etc.); or other SPP criteria developed at the national, regional or international level. |
| 3 Sustainable products, services or works purchased | Same as item 2 above. |
| 4 Contract or purchase with/from preferred companies | Based on policy priorities and complementary legislation. It might include: micro, small and medium-sized enterprises (MSMEs); social, sheltered or set-aside enterprises (e.g. those that involve employment or ownership by aboriginal groups, the handicapped, veterans, as well as women or other groups at risk of social exclusion); and companies with environmental management systems and/or corporate social responsibility reporting. |
| 5 Direct generation of employment opportunities | “Vulnerable groups” as defined by national legislation, which might include social minorities, the handicapped, women, youth and others. |

¹ Bioproducts or bio-based products are materials, chemicals and energy derived from renewable biological resources (Singh et al., 2003).

² ISO Type I labels (often referred to as an “ecolabels”) identify the overall environmental preference of a product (i.e. a good or service) within a product category based upon life cycle considerations. In contrast to a self-styled environmental symbol or claim statement developed by a manufacturer or service provider, an ecolabel is awarded by an impartial third party to products that meet environmental leadership criteria (Global Ecolabelling Network, 2015).

³ Design for All is design for human diversity, social inclusion and equality. Its aim is to make the built environment, everyday objects, services, culture and information accessible to all people regardless of their age, culture or abilities (EIDD, 2004).

Chart 4: Possible Definitions of “Sustainable” for Output Indicators (UNEP)

4) Reliable Data Tracking and Reporting

- a) For each monitored aspect or area, make sure that relevant tracking and reporting systems are used
- b) To seek integration and to avoid duplication, conduct a preliminary analysis on existing software, data tracking tools, and reporting mechanisms
- c) Prioritize the following electronic data sources in data tracking:
 - Sources that are already available;



- Centralized databases;
 - Sources that require the input of a minimum number of people;
 - Sources that ensure routine data tracking; and
 - Compulsorily collected data
- d) If data cannot be obtained from a single data source, utilize IT solutions to automatically retrieve and process data from existing sources

5) Piloting and Deployment

- a) Evaluate technical and managerial capacities within the organization
- b) Give clear instructions and test monitoring system in advance
- c) If relevant, integrate SPP monitoring conditions into the organization's environmental management system or social responsibility strategies.
- d) Minimize changes in the monitoring system, especially in how the key performance indicators are calculated, as much as possible

6) Communication of Results

- a) Publish SPP indicators and results
- b) Present results in stages of progress
- c) Consider using simple visual evaluation indicators
- d) Instead of reporting only on results, include information on why the results have been achieved

7) Estimation of Benefits⁹

⁹ Specific means are under consideration by the Working Group on Measuring and Communicating the Benefits of SPP of the 10-Year Framework of Programs on SPP Patterns.



3. Case Studies from Europe and the United States

3.1 Case Studies from European Local Governments

Local governments in Europe have been making pioneering efforts in sustainable public procurement (SPP), building on their responses to the EU Public Procurement Directives. In the following paragraphs, we will introduce the successful cases from Europe based on their descriptions in Procura+¹⁰, presented in chronological order of steps taken in managing SPP.

[SPP Management Methods]

(1) Building a Case for SPP: Southeast Norway Health Region

Southeast Norway Health Region was established in June 2007 and is the largest health region among the four in Norway. It covers 56% of the Norwegian population offering health care to 2.7 million people. The organization consists of 75,000 employees, and spends more than 8 billion euros (or 74 billion Norwegian kroner) in procurement each year.

The organization has been successful in building a case for sustainable procurement. Initially, the region's sustainable procurement was promoted as a bottom-up measure, focusing on socially responsible procurement of each product. Through this experimental phase, SPP has proven possible and beneficial. Being able to show management its possibility and benefits allowed for the continued implementation of SPP and its wide application across the organization.

¹⁰ Procura+, Participants: <http://www.procuraplus.org/public-authorities/>



Other outcomes of the organization’s SPP efforts include the following: saving procurement costs through the development of the Win-Win program, which incorporates carbon footprint analysis and baseline data; implementing a unique method of carbon footprint analysis on 60 to 100 procurement categories; and successfully implementing SPP for employee uniforms.

(2) Gathering Support, Case 1: Cornwall Council (United Kingdom)

County of Cornwall is a county in the United Kingdom with a population of 536,000 (as of 2011), located in the western tip of the south-west peninsula of the island of Great Britain. To gather support from concerned parties, the Cornwall Council developed a policy on SPP.

In January 2014, the Council launched a Responsible Procurement Policy which commits the Council to ethical sourcing, environmental sustainability, and carbon management. The policy stipulates the reasons why SPP is beneficial, who is responsible, how it is implemented, and how it is monitored. It also covers on the purpose, scope, policy statements, key policy principles, communication, monitoring, reporting, and reviews. According to this policy, all contracts over 50,000 pounds must undergo review by procurement professionals based on a checklist, and the policy also includes guidance for suppliers about responsible business.

Other notable highlights of the Cornwall Council include the large amount of supplier engagement activities and the WWF Sustainable Timber Campaign silver award in 2013.

(3) Gathering Support, Case 2: City of Barcelona (Spain)

Barcelona, the capital city of the Catalonia region, is the second largest city in Spain in both size and population. The city has been making efforts to gather support through the development of an SPP policy.

It began in 2001 when the city first committed to purchasing green office supplies. Throughout the years until they enacted their latest decree, the city has evolved its SPP ambitions. Currently, the city has officially approved two acts for responsible procurement, and has developed the “+ Sustainable City Council Program” to integrate sustainable criteria into decision making processes. In the Municipal Decree for Responsible Public Procurement, which was enacted in 2013, it has become compulsory for all suppliers to meet green requirements when tendering for the 12 high priority procurement categories (i.e. electricity, computer equipment, cleaning and selective waste collection in buildings, events, food services, office material, paper, textile products, timber, public works projects, vehicles, and urban green and biodiversity).

Other notable highlights include launching the Sustainable City Council Convention in 2010, receiving the Diamond Purchase Award for SMART-SPP activities in July 2012, and the enacting the Municipal Decree for Responsible Public Procurement in 2013.



(4) Developing the Action Plan, Case 1: Brussels Institute for Management of the Environment (Brussels Environment / IBGE-BIM)

Brussels Environment is a public authority that manages almost all of the Brussels Capital Region's environment and energy matters. Since 2009, they have implemented a green purchasing policy where standards of environmental performance must be met when public sector vehicles are purchased or leased.

Brussels has been successful in effectively creating an action plan, and this can be attributed to the establishment of a regional network. Brussels Environment created a Brussels Green Public Procurers Network and hosts four workshops a year. When planning workshops and training sessions, they have gained support from experts in developing a set of criteria for each topic. Also, they have set up a website to centralize all relevant information on green procurements in Brussels.

Other notable highlights include evaluating the Brussels administrations' procurements every two years to track and to maintain SPP.

(5) Developing the Action Plan, Case 2: Metropolitan Area of Rome (Italy)

The Metropolitan Area of Rome serves as an administrator of services and a coordinator linking national, regional, and community levels for the residents of Rome and surrounding communities. In 2009, they adopted the Green Public Procurement (GPP) Action Plan, in which the aims and targets were set on efficient and economical use of natural resources and on reducing the use of dangerous substances and amount waste sent to landfills.

One of the achievements of the Metropolitan Area of Rome include the establishment of the monitoring system that tracks the action plan objectives. In 2016, they became the first in Italy to introduce a new GPP monitoring system which enables a timely assessment on the achievements of the GPP objectives and for the collection of basic information for future CO₂ savings after the projects end. This innovative monitoring system is linked to the public procurement electronic information system, and allows for the elaboration and publishing of data according to various criteria such as date, product category, purchasing department, or contract volume.

Furthermore, in the revised and updated Provincial Action Plan of January 17, 2014, the following items regarding SPP are included:

- a) Training of internal staff;
- b) Training of municipalities with focus on those that have signed the Covenant of Mayors;
- c) New monitoring system that integrates the current environmental accounting system and monitors the Covenant of Mayors (e.g. CO₂ emission reduction);
- d) Implementation of pilot actions including vocational training center trainer training; and
- e) Implementation of SPP in the public works sector.

Other notable highlights include being awarded the 2010 and 2012 Compra Verde Award for projects for sustainability and GPP, winning the 2011 Consip Award for best GPP and sustainable project, and



currently procuring the following percentages of goods and services that meet the GPP criteria in each area: 100% for office and school furniture, paper, and cleaning services; 80% for ICT; 50% for toners, copiers, printed papers, cleaning products, and air conditioning; and 30% for cars and uniform fabric.

(6) Developing the Action Plan, Case 3: City of Aalborg (Denmark)

Aalborg is the fourth largest city and third most populous municipality in Denmark with 205,000 residents. The city has been a pioneer in sustainable development since 1994, creating the Aalborg Charter¹¹ and Aalborg Commitments¹², which outline local commitment to sustainability in Europe.

The city has been successful in cooperating among city departments in establishing the action plan. Based on the “Local Initiative for Sustainable Development: Sustainability Strategy,” which was created by the Aalborg City Council and implemented from 2008 to 2011, each procurement office had to define technical specifications in tenders, and bids were awarded eco-points that were built into the overall score.

Additionally, since 2012, all municipal printed matter must have an environmental label (e.g. Nordic Swan label) and produced by environmentally certified printing companies. Furthermore, energy consumption demands and energy lifecycle costs have been integrated into the procurement process.

(7) Developing the Action Plan, Case 4: City of Rotterdam (Netherlands)

Rotterdam is the second largest city in the Netherlands and has the second largest port in the world. The city has established the Rotterdam Sustainability Program to become a clean, green, and healthy city. Also, the city’s action plan promotes transition to a more resource-efficient city, and encourages SPP for the sake of shifting the market to a more sustainable one.

Notable highlights in Rotterdam include mapping roles and responsibilities regarding sustainable procurement while successfully drawing up an action plan. The city’s fundamental belief is that sustainable procurement begins with budget holders, procurement officials, and sustainability specialists. In Rotterdam, all parties are to secure transparency and to utilize good tendering methods so that they can take a deliberate approach in meeting the green standards. Their approach for

¹¹ “The Aalborg Charter (1994) is an urban sustainability initiative approved by the participants at the first European Conference on Sustainable Cities & Towns in Aalborg, Denmark. It is inspired by the Rio Earth Summit’s Local Agenda 21 plan, and was developed to contribute to the European Union’s Environmental Action Program, ‘Towards Sustainability’ The Charter is based on the consensus of individuals, municipalities, NGOs, national and international organisations, and scientific bodies. More than 3,000 local authorities from more than 40 countries have signed the Charter.” (See: <http://www.sustainablecities.eu/>)

¹² “Ten years after the release of the Aalborg Charter, the 4th European Conference on Sustainable Cities & Towns was again held in Aalborg (2004). The purpose of the event was to develop a common understanding of sustainability, and as a consequence to develop a framework to be used at the local level that would better articulate how to embed sustainability across municipality sectors. The Aalborg Commitments were agreed on by consensus of the conference participants. Whereas the charter was declaratory, the commitments signify a more structured and ambitious approach. So far over 700 cities and towns have signed the commitments.” (See: <http://www.sustainablecities.eu/>)



modeling sustainable procurement clarifies responsibilities assigned to implementers and organizational structures.

[Sustainable Procurement Process]

(8) Pre-Procurement Preparation (Supplier Participation): LIPOR (Portugal)

LIPOR is an authority in Portugal in charge of managing and treating municipal solid waste (MSW) of eight municipalities. They treat about 500,000 tons of MSW produced by 965,000 residents each year. The organization currently responds to the increase in waste through the promotion of the Sustainable Consumption Policies, and a multidisciplinary team implements low carbon procurement in relation to GPP2020 and the certification on Energy Management by ISO 50001.

LIPOR is also consistently involved in the streamlining of SPP at the national level in Portugal through the following measures:

- a) Introduction of ecological criteria and technical specifications into tenders;
- b) Assistance for public authorities in implementing a procurement strategy that match regional economy;
- c) Social and environmental policies;
- d) Encouragement of cooperation among public procurers; and
- e) Promotion of market engagement between public procurers and suppliers.

LIPOR was successful in promoting supplier engagement during the preliminary process of SPP. The organization developed an SPP verification scheme as a result of certification in SA8000 Standard, and the scheme's goals are to raise awareness among the suppliers on the importance of respecting social and environmental criteria. Since 2009, appropriate monitoring and auditing procedures have become necessary to maintain certification, so the verification has become a mandatory process. The scheme is applied as part of the contract performance clause, and announced to supplier during tendering. Thanks to the verification scheme and other activities, suppliers can become more aware of the fact that LIPOR is a socially responsible entity, and that they need to fully consider their social responsibility in supplying goods and services.

Finally, LIPOR's Purchase and Supply Division has continued to work on the development of a pilot SPP project to promote SPP strategies. The pilot project concept applies to all purchases and tenders involving energy efficiency, while monitoring and analyzing the financial and CO2 reduction aspects.



[COMMENTARY]

“EU Public Procurement Directives and the LCC”

Hidemi Tomita (Director and General Manager of Business Development Division, Lloyd’s Register Japan)

Thanks to the newly adopted EU Public Procurement Directives, European public authorities have been promoting efforts that incorporate the life-cycle costing (LCC) concept in their public procurement.

EU Public Procurement Directives

On February 26, 2014, the Council of the European Union and the European Parliament adopted two directives on public procurement aimed at making public procurement procedures simplified and more flexible. As a general rule, EU member nations had to transpose the new rules into their national laws before April 2016, excluding electronic procurement whose deadline is October 2018.

The old public sector directive (2004/18/EC) and the old utilities directive (2004/17/EC) have now been replaced by the public procurement directive (2014/24/EU) and the directive on procurement by entities operating in the water, energy, transport, and postal service sectors (2014/25/EU).

The goals of these new directives are to include a wider range of common societal goals in the procurement process, and considerations have been made with regard to environmental protection, social responsibility, innovation, combating climate change, employment, public health, and other social and environmental issues. Furthermore, the following new concepts have been included in these directives:

- Defining the requirements of a contract
- Using labels
- Life-cycle costing (LCC)
- Innovation partnerships
- Market consultations

Life-Cycle Costing (LCC)

LCC has gained significant interest in Europe as a most practical measure among the ones mentioned in the EU directives, and actual efforts have begun to be taken. LCC is defined as “all costs associated with the product, system, or structure as applied over the defined life cycle,” and it includes the following:

- Acquisition: Purchase, investments, installation, initial costs
- Operation: Consumptions, annual taxes or fees, etc.
- Maintenance: Maintenance fees, spare parts, etc.
- Remnant Value or End-of-Life Costs

When the lifecycle is given consideration, purchasing costs are only a part of the total costs in reality, and there are cases where low purchasing cost may actually lead to long-term economic



inefficiency. In normal procurement activities, only the initial purchasing cost is considered in tendering, but the new EU directives suggest engaging in the most cost-efficient tendering that takes cost efficiency from the LCC perspective and is not limited to the initial purchasing phase.

Regarding the scope of the target of LCC, the following two aspects are considered:

- Direct Costs: Financial costs throughout the lifecycle
- Indirect Costs: External costs, such as environmental and social effects, that are not calculable in monetary terms

However, there is no definition of a fixed methodology at this point, and various case studies that substantiate LCC have been reviewed while multiple tools that calculate LCC have been suggested. In actual assessment, it remains to be partial but not comprehensive.

On another note, a similar concept called Total Cost of Ownership (TOC) is also often used, and TOC is generally understood in reference to the direct costs of LCC. ISO20400 “Sustainable Procurement” refers to both the LCC and TOC, and stresses the importance of these concepts in sustainable procurement.

Examples of LCC

In Europe, LCC has been actively adopted into public procurement. In the Procura+ Seminar 2016, which took place in October in Rome, the following examples have been shared, all of which demonstrate the utilization of LCC in actual public procurement spaces:

- Passenger Car Purchase (Niort, France): Comparisons by vehicle size include the fuel cost, maintenance cost, repair cost, etc.
- Procurement of Lighting (Syddjurs, Denmark): Comparisons by illumination effect (watt) include energy costs, wages in replacing light source, etc.
- Water Infrastructure (Hungary): Maintenance costs, costs of chemicals used, etc.

Challenges of LCC

The following matters have been raised as challenges of LCC:

- Appropriate LCC assessment tool and assessment scope
- Validity of estimating future costs (e.g. official rate, change in energy prices, etc.)
- Relationship to annual budget
- Application across multiple entities (e.g. construction and maintenance are done by separate entities)
- Validity of LCC assessment results (reviews)
- Necessity for education and capacity building
- Importance of communication with decision-makers

LCC is a generalizable concept that not only contribute to the realization of SPP but can make a great impact on the improvement of economic efficiency, which can lead to the overall reduction in costs. As such, we can expect LCC to be an effective tool in public procurement in Japan as well. Although it is currently extremely difficult to conduct a perfect assessment based on LCC, partial application is relatively easy, so a gradual adoption may be of merit even in a relatively short period of time.



3.2 Case Studies of Socially Responsible Public Procurement: From the Human Rights Perspective

The many aspects of SPP can largely be divided into three categories: environmental, social, and economic. According to the research conducted by UNEP (2013)¹³ on 110 countries, works that cover all three of these aspects were the majority among the national governments' work on SPP from around the world, as shown in Figure 5. While the aforementioned cases in this booklet have focused on environmental aspects, social aspects cannot be ignored when considering SPP.

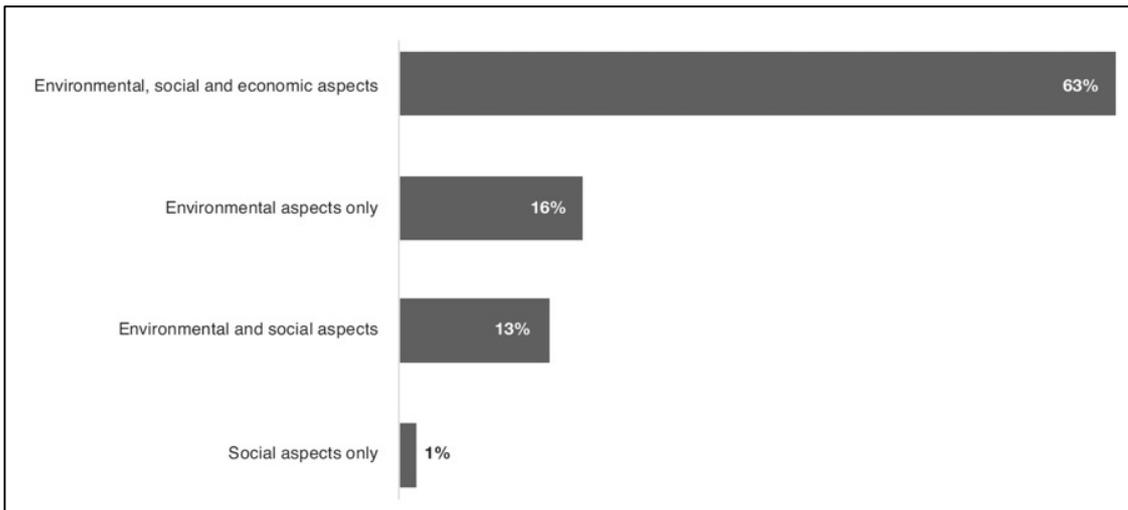


Figure 5: Scope of SPP Work by National Governments (UNEP 2013)

What kinds of considerations are made as the scope of the social aspects of SPP? Research conducted by the UNEP (2013b)¹⁴ suggests that national governments' priorities, from highest to lowest, are employment, small and medium enterprise (SME) development, health, local content and local producers, education, community, developing world supply chain issues, and diversity, as shown in Figure 6.

In this section of this booklet, we will introduce the successful examples from the City of Ghent in Belgium, which has been proactive in dealing with employment, SME development, and community issues, as well as the City of Copenhagen in Denmark, which has been proactive in dealing with SME development, health, local producer priority, and community issues.

¹³ UNEP (2013), Sustainable Public Procurement: A Global Review, Final Report

¹⁴ UNEP (2013), Sustainable Public Procurement: A Global Review, Final Report

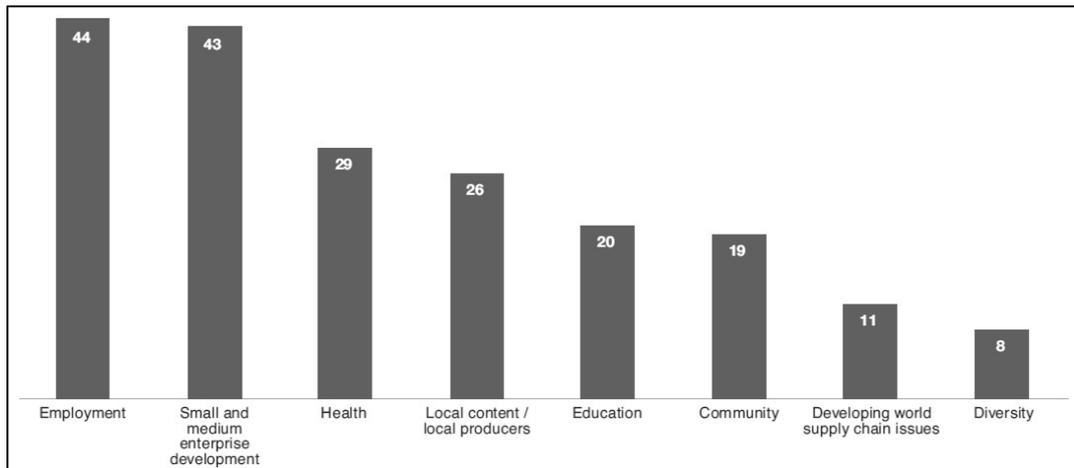


Figure 6: Social Aspects Cited by National Governments as Priority in SPP (UNEP 2013)

Furthermore, the LANDMARK Project¹⁵, which was co-funded by the European Union and had been implemented for three years between April 2011 and March 2014, has seen success in incorporating social aspects into the public procurement procedures. The LANDMARK Project aimed to promote fair working conditions in the global supply chains, and was formed on the basis of a partnership between seven European organizations including cities, municipalities, and national and international expert organizations. Its goal was to contribute to the improvement of the global supply chain through the European public authorities, especially municipal governments, procuring goods and services that were produced under fair and just conditions, and developing a verification scheme for social responsibility. In this section of the booklet, in addition to the cases briefly mentioned in the preceding paragraph, we would like to introduce the success stories from the LANDMARK Project¹⁶ including the states of Bremen, Hamburg, and Schleswig-Holstein in Germany and the City of Loures in Portugal.

(1) Employment, SME Development, and Community: City of Ghent (Belgium)

Ghent, which is located in the Flemish region of Belgium, is the capital and largest city of the East Flanders Province, which has a population of about 250,000. In order to implement more than 105 actions and projects including sustainable procurement, Ghent introduced an action plan for sustainability called “Ghent 2020.”

The city has held up the following seven areas as SPP pillars:

- a) Minimizing the ecological footprint throughout the entire life cycle
 - Rational use of energy and independence of non-renewable energy
 - Minimizing the impact on local air quality through efficient and environmentally friendly transportation and deliveries
 - Avoiding waste
- b) Encouraging sustainable employment of impoverished groups

¹⁵ <http://www.landmark-project.eu/en/home/>

¹⁶ The LANDMARK consortium, c/o SETEM Catalunya 2014 (2014), “Success stories in socially responsible public procurement Using public spending to drive improvements for workers in global supply chains”



- Increasing employment opportunities for impoverished job seekers (with specific attention for youth unemployment)
 - Strengthening sustainable growth of socioeconomic sector
- c) Promoting sustainable innovations
 - d) Promoting local economic growth with special attention for entrepreneurs and innovative companies
 - e) Integrating and ensuring international labor standards and fair-trade principles throughout the supply chain
 - f) Fostering sustainable entrepreneurship among suppliers
 - g) Increasing maturity of the procurement function and striving towards excellence in procurement

What makes these policies possible are staff assignments and cutting-edge monitoring system. In Ghent, a staff person is assigned to each of the seven pillars and s/he reports the results and outcomes through the Manager's Dashboard. In 2014, the city decided to implement an eProcurement module called Supplier Relation Management (SRM), which is an interface of an enterprise software SAP. This eProcurement system allows for a more structural approach toward purchasing policies and for a centralized reporting of the basic spend analysis questions (such as when and what is bought by whom from which supplier). These analyses enabled grouping of contracts and lays the foundation in dealing with inappropriate buying that ignores the standard procurement process.

(2) SME Development, Health, Local Producer Priority, and Community: City of Copenhagen (Denmark)

Copenhagen, the capital city of Denmark, is the most populated city in the country with over 2 million residents in the metropolitan area. The total procurement volume for Copenhagen exceeds 1.5 billion euros each year, which makes it a large influence in the supply of goods and services in the Danish market.

Notable highlights from the city's SPP practices include 53% of municipal vehicles using gas and diesel alternatives, 88% of public sector meals (in offices, schools, and kindergartens) using organic produce, and the active development of supplier-engagement best practices.

Especially noteworthy is the fact that Copenhagen has been awarded the winner of 2016 Sustainable Procurement of the Year by Procura+ for their public-sector meals using organic produce. The city has dedicated itself to ensuring that their food and catering service is healthy and sustainable, and has a target of supplying its 900 municipal cafeterias with 90% organic food. In 2014, the city made efforts to include various types of fruits and vegetables, and demanded the suppliers placing bids to demonstrate a variety of flavors and preparations in order to strengthen biodiversity among Danish and foreign produce.

Copenhagen has also been proactive in developing SMEs. The city believes it is important for SMEs



to make bids at public tenders, which can help promote innovation through Public Procurement of Innovation (PPI). The city also believes that SMEs increasing their competitiveness in the public sector can help the green growth of the market.

(3) Success Story from the LANDMARK Project, Case 1: States of Bremen, Hamburg, and Schleswig-Holstein (Germany)

The states of Bremen, Hamburg, and Schleswig-Holstein have populations amounting 650,000, 18 million, and 28 million respectively. Dataport is a public authority owned by these three states and others¹⁷, providing IT hardware and services to other public authorities in these three states.

Dataport previously used green criteria in tenders. However, when made aware of the fact that Bremen, one of its owners as well as clients, is engaged in the LANDMARK Project and of the experiences of other partners in the Project, Dataport became interested in socially responsible public procurement. With cooperation from NGO WEED and other LANDMARK partners, Dataport embarked on the responsible procurement of IT hardware.

Bremen and NGO WEED, both of which are LANDMARK's partners, provided relevant information on social issues and advice on SPP, playing active roles in the preparation for tendering documents besides legal ones. Furthermore, Bremen contributed in the social aspects of the bids as well. It was the first time for Dataport to implement SPP, but none of the bidders withdrew due to SPP considerations. Rather, social criteria were welcomed in the IT industry where the pricing and technical know-how were similar among the bidders.

It is too early to know for sure if the suppliers can actually fully meet the social standards. However, the bidders have clearly begun to involve themselves in the SPP procedures. Therefore, Dataport has decided to continue to demand the bidders to meet social criteria while testing other methods as well. They have also decided to implement SPP in their non-IT procurement such as office furniture and all other goods.

(4) Success Story from the LANDMARK Project, Case 2: City of Loures (Portugal)

Loures is a municipal government in Portugal with a population size of around 200,000. As a participant in the LANDMARK Project, which promised sustainability, the city ensured that products and services were procured in a socially responsible way, including considering the environment and the lifecycle. In order to apply social sustainability policies to the city's suppliers and service providers, Loures worked in cooperation with local jurists and internal experts in creating the Code of Conduct for Suppliers, which incorporates the Universal Declaration of Human Rights, the Conventions of the International Labor Organization, and Portuguese national and regional legislation. The city plans to apply this code to as many procurement procedures as possible, especially in procuring high risk product categories that have been the focus of the LANDMARK Project. The Loures Code of Conduct

¹⁷ Federal states of Bremen, Hamburg, Mecklenburg-Western Pomerania, Lower Saxony, Saxony-Anhalt, and Schleswig-Holstein, as well as the communal group IT-Verband Schleswig-Holstein.



for Suppliers has already been shared with other municipal governments in Portugal within the intermunicipal network and as part of the Go Local Campaign. This has encouraged other municipal governments to begin considering the inclusion of the social criteria in their public procurement procedures as well.

[COMMENTARY]

“Modern Slavery Act in the United Kingdom”

Takeshi Shimotaya (Managing Director, SustainaVision)



The UK Modern Slavery Act, which demands corporations to identify slavery in the supply chain and to report procedures to eradicate it, became law in March 2015. The act applies to any enterprise that has a global turnover of 36 million pounds or more and does business in the UK, and these corporations must produce and publish an annual “Slavery and Human Trafficking Statement” once every fiscal year. Japanese corporations are also included. In publishing the “Slavery and Human Trafficking Statement,” the law requires that the statement be approved by the board of directors and signed by a director, and that the link to the statement be posted in a prominent place on the website’s homepage. Furthermore, the statement must refer to the organizational structure, policies, human rights due diligence processes, risk assessment and management, performance indicators, and training. This law promotes transparency on the part of the corporations while using the eyes of civil society and the NGOs as surveillance, and demands the corporations to implement their plans and to step up their procedures each year.

The official publication of the statement has begun on April 1, 2016, and around 1,500 companies have published their statements as of February 2017. The law has been undergoing amendment considerations in 2016 and through 2017 in response to the tendencies of the statements and to further strengthen corporate efforts on this matter. Among the points considered is about public procurement. References to public procurements have been about the reporting mandate applying to public procurement, and about excluding suppliers from tendering if they have not published the Slavery and Human Trafficking Statement. The focus on public procurement is due to the possibilities that the public procurement supply chains, just like its corporate counterpart,



are linked to modern slavery and labor exploitation, and that there have been such cases already.

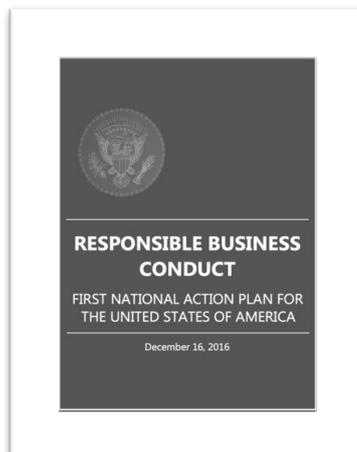
When public authorities procure goods and services from the private sector, their purchasing power can result in a positive impact when purchases are made from businesses that are working effectively on eradicating modern slavery and human trafficking. Additionally, it will serve as a reminder of the state's obligations in exercising oversight as outlined in Target 12.7 of the SDGs ("Promote public procurement practices that are sustainable, in accordance with national policies and priorities), which are based on the United Nations Guiding Principles on Business and Human Rights. Therefore, the amendments to the Modern Slavery Act and its reference to public procurement will help corporations, which take the eradication of modern slavery seriously, compete fairly.

3.3 Case Studies from the United States

In the United States, SPP has been promoted at both the federal and local levels. Government actions, relevant legislation, and private sector efforts are introduced below.

(1) Federal Government's Responsible Business Conduct (RBC) National Action Plan (NAP)

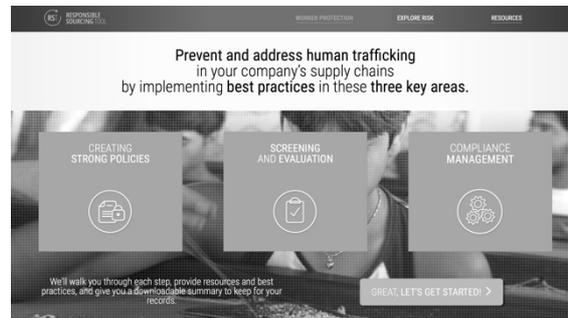
In December 2016, the United States announced its national action plan (NAP) to promote responsible business conduct (RBC), which would promote implementation of the United Nations Guiding Principles on Business and Human Rights. The NAP states that procurement rules will be strengthened in federal purchasing of goods and services, which exceeds 450 billion dollars, in order to protect human rights and the rights of workers. The NAP also lists relevant legislation and international agreements, such as the prohibition of acquisition of products produced by forced workers or child labor, and the federal legislation to strengthen protections against trafficking in persons in federal contracts.



© United States State Department



Additionally, there is reference to the Responsible Sourcing Tool, which was co-developed in 2016 by the government and nonprofit sectors in order to protect workers in the global supply chain. This tool provides online guidance on creating an effective management system with special focus on sectors and products with higher risks of human trafficking.



Responsible Sourcing Tool Online Guidance Page
©Responsible Sourcing Tool

(2) Legislation Regarding Labor Human Rights in the Supply Chain

One of the major legislations regarding labor human rights in the supply chain is the California Transparency in Supply Chains Act, which was enacted in the state of California in 2012. Applied to retailers and manufacturing companies with worldwide annual revenues of 100 million dollars or more, the law demands information disclosure on slave labor and human trafficking in their primary suppliers. In the August of the same year, the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed. Section 1502 of this act demands businesses to disclose information on the usage of conflict minerals (tantalum, gold, tin, and tungsten) from the Democratic Republic of the Congo. This has been called the first case of incorporating human rights due diligence in the supply chain into law. However, since President Trump was elected with the repeal of Dodd-Frank Act as part of his campaign, and in fact he has signed the executive order to review the act on February 3, 2017, there is much attention on the future of this legislation.

(3) Sustainable Purchasing Leadership Council (SPLC)



2013 SPLC Founding Summit (Washington D.C.)
©Sustainable Purchasing Leadership Council

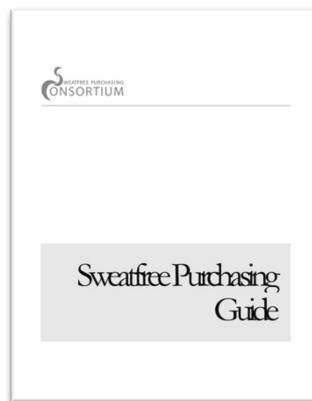


Sustainable Purchasing Leadership Council (SPLC) is a nonprofit organization founded in 2013 to develop public procurement policies and action plans that incorporate sustainability. SPLC has created and published the Guidance for Leadership in Sustainable Purchasing, and recognizes public authorities on excellence in sustainable purchasing. SPLC release the second version of the Guidance in 2016. The Guidance contains two types of guidance on procurement that considers environmental, social, and economic issues. The first one is a program design guidance for organizations looking to build a strategic and leadership-capable sustainable purchasing program, and the second one is a category guidance for those seeking to address key impacts and opportunities in specific areas of purchasing. Organizations in a wide range of sectors and regions can follow the strategic processes outlined in the Guidance, and engage in the following actions:

- Understanding sustainability impacts of purchased goods and services;
- Identifying actions that best address prioritized goods and services; and
- Benchmark progress toward goals.

The Guidance consists of the following four chapters: Chapter 1 Background; Chapter 2 Program Design; Chapter 3 Program Operation; and Chapter 4 Purchasing Category Guidance (Chemically Intensive Products, Construction and Renovation, Electricity, Food and Beverages for Food Services, IT Hardware and Services, Professional Services, Transportation and Fuels, and Wood and Agrifiber Products).

(4) Sweatfree Purchasing Consortium



Sweathfree Purchasing Guide
©Sweatfree Purchasing Consortium

In the supply chains of the apparel industry and others, the so-called “sweatshops” – which exploit forced and unpaid workers, employ children, and subject workers to long hours in factories and in other working conditions – are considered a serious problem in the US. Many government entities in the US commit to purchasing only “sweatfree” products. The Sweatfree Purchasing Consortium is a membership organization for public entities, and its aim is to make public procurement, which has a great impact on the market, sustainable so that sweatshops are eradicated and decent working conditions are secured in the supply chains of the apparel industry. Members include three states (Maine, New York, and Pennsylvania) as well as 14 cities including Madison, Wisconsin.



[COLUMN]

“Child Labor Prevention Measures and Public Procurement”

Yuka Iwatsuki [President, Action against Child Exploitation (ACE)]

168 million children around the world are engaged in child labor (according to the ILO 2013 data). Child labor is defined as labor that prevents children under 15 from getting compulsory primary education, and dangerous and harmful labor among children 18 and younger. There has been a focus on child labor as one of the human rights issues regarding the corporate supply chain. About 60% of the child labor cases are in agriculture. From cacao beans as the ingredient of chocolate, to cotton as the source of clothing, to tantalum as the rare-earth element use in manufacturing cell phones, many reports of child labor are heard from the fields, which are at the uppermost stream of the supply chain.



A girl artificially pollinating cotton seeds in an Indian cotton seed field ©ACE

United States is a country that has noticed this problem of child labor in the supply chain early on, and built legislation to combat it. Senator Tom Harkin, who retired from office in 2015, had been involved in various efforts to amend existing laws and to create new frameworks in his country. Senator Harkin was influenced by Kailash Satyarthi, who is the founder of the Global March Against Child Labor, a civic organization that serves as a coalition of groups fighting child labor, who had also rescued over 80,000 children from child labor and won the Nobel Peace Prize in 2014.

At the U.S. Department of Labor, in the Bureau of International Labor Affairs, there is a unit dedicated to addressing child labor, forced labor, and human trafficking, and their activities are in the following three areas:

- 1) They have funded international projects to eliminate exploitative child labor, and as the world’s largest donor, they have provided over 200 million dollars of funding to the ILO/IPEC (International Labor Organization - International Program on the Elimination of Child Labor) and hundreds of millions to NGOs as well thus far, saving 1.7 million children from child labor;
- 2) They have provided assistance in the development and implementation of government policy; and
- 3) They have contributed to research.

Additionally, this is the unit that reports on child labor issues to the Congress as designated by law. They also annually update the list of goods imported to the U.S. that are believed to have been produced by child labor and forced labor, including their source countries. The unit has developed an app called Sweat & Toil, which allows a user to check and see if a specific product or ingredient from a certain country (e.g. raw cotton from India) has any problems with child labor or forced labor.



One of the older legislation in the U.S. is the Trade and Development Act (TDA), which was amended in 2000 to include measures against “the Worst Forms of Child Labor,” as defined in ILO Convention No. 182, in the Generalized System of Preference (GSP) program to promote growth in developing countries. Moreover, the Trafficking Victims Protections Reauthorizations Act (TVPRA) of 2006 demands monitoring on and efforts to eliminate and to prevent child labor. Furthermore, the Business Supply Chain Transparency on Trafficking and Slavery Act of 2014 demands businesses to disclose the risks and any measures taken to identify and address conditions of forced labor, slavery, human trafficking, and child labor. This reflects the latest global trend of demanding corporations to be more socially responsible and to disclose information.

The 2008 Farm Bill (or the Food, Conservation, and Energy Act of 2008) mandated that the U.S. government establish a consultative group to eliminate the use of child labor and forced labor in imported agricultural products, and guidelines were issued by the U.S. Department of Agriculture. Also, in the 2010 Dodd-Frank Act (Dodd-Frank Wall Street Reform and Consumer Protection Act) **required that businesses file reports with the SEC on the usage of conflict minerals in the supply chain, but President Trump has unfortunately signed an executive order to review this legislation.**

Most recently, the Federal Acquisition Regulation (FAR), which was amended in 2015, prohibited federal contractors, subcontractors, and their employees from engaging in human trafficking and forced labor as part of the federal government’s efforts to conduct human rights due diligence throughout its public procurement policies and procedures. With contracts that exceed 500,000 dollars, FAR requires contractors to maintain their compliance plans. Furthermore, Executive Order 13126 from 1999 required the maintenance of a list of products that have been produced by forced labor and child labor, and prohibits the government from procuring such items.

Under the new administration, we can only wait and see how these legislations would pan out in the future. For us in Japan, there is much to take away from the U.S., which has been a pioneer in taking child labor issues seriously in their government purchasing as an economic power.

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- Sustainable Purchasing Leadership Council <https://www.sustainablepurchasing.org/>
- Sweatfree Purchasing Consortium <http://buysweatfree.org/>



Government procurement in Japan has not been promoted under a comprehensive Sustainable Public Procurement (SPP) concept. However, the so-called *Act on Promoting Green Purchasing* (officially, *Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities*) was enacted as an environmental policy, and it was adopted not only among the central governmental agencies but also by the independent administrative corporations and local governments. In its institutionalization, Japan may well be considered a global pioneer.

Additionally, in recent years, efforts have begun to be made based on the *Act on Promotion of Priority Procurement for Persons with Disabilities* under the jurisdiction of the Ministry of Health, Labor, and Welfare, and on the *Guidelines for Utilization of Public Procurement and Subsidies toward the Promotion of Women's Advancement* with the Gender Equality Bureau of the Cabinet Office.

On the other hand, there are concerns for such sporadic engagements based on individual policies, without the government promoting public procurement with a more comprehensive consideration to environmental, social, and economic sustainability. Under Goal 12 of the SDGs, "Number of countries implementing SPP policies and action plan" is listed as one of the global indicators of SPP targets, and the Japanese government is expected to consider comprehensive policies and action plans.

4.1 Act on Promoting Green Purchasing (Ministry of the Environment)

In 2001, the *Act on Promoting Green Purchasing* came into force with the goals of decreasing the environmental impact related to goods and labor, and of shifting the demands toward products and



services that consider the impact on the national environment. (The latter type of goods and services are called “environmental goods and services.”) The act mandates local governments and independent administrative corporations to procure products and services that lessen the environmental impact. Specific targeted items (called “designated procurement items”) and their criteria are publicized in the *Basic Policy for the Promotion of Procurement of Eco-Friendly Goods and Services* (hereafter *Basic Policy*), which is reviewed once a year. After the 2017 revision, the list of designated procurement items, whose prioritized procurement is promoted, include 274 items in 21 categories.

The *Act on Promoting Green Purchasing* was enacted in 2000 in accordance with Article 24 “Promotion of Use of Products Contributing to Reduction of Environmental Load” of the 1993 *Basic Environmental Law*, and Article 19 “Promotion of Use of Recycled Articles” of the 2000 *Basic Law for Establishing the Recycling-Based Society*. Based on the understanding that the current state of economy built on mass production and mass consumption causes environmental problems such as global warming and incurrence of waste, the aim was to promote green purchasing among local governments and the private sector with the national government spearheading the effort.

In the *Basic Policy*, the following three basic ideas underlying green purchasing are stated:

- 1) Procurement of goods and services with reduced environmental impact and from enterprises trying to reduce environmental impact;
- 2) Procurement of goods and services based on the reduction of the environmental impact throughout their lifecycle, from resource acquisition to disposal; and
- 3) Reduction of the total amount of procured goods and services.

Designated procurement items and their criteria are considered based on this philosophy. Each year, the list of designated procurement items covers a wider and wider range of items; the initial list consisted of 101 items in 14 categories while it now includes twice as many items.

This February, the current administration introduced a partial amendment to the *Basic Policy* through cabinet approval. The amendment consists of the addition of four newly designated procurement items that include the energy management systems (EMS), and a drastic change in the criteria of government facility management, which is one of the items in the labor category. This entailed strengthening of energy efficiency measures for government buildings and other facilities, based on the response to the *Building Energy Efficiency Act* that came into force in April 2016.

In the amended *Basic Policy*, global warming is clearly stated as “one of the most impertinent environmental problems.” Furthermore, the need for procurement of environmental goods and services were indicated based on the *Plan for Global Warming Countermeasures* and the *Government Action Plan*, which were decided in April 2016. In government facility management, there is now a need for energy efficiency measures for ventilation and boiler installations as well as a draw-up of an energy efficiency plan, and with the newly added EMS, visibility of energy being used within buildings has become the procurement criterion.



Based on the *Act on Promoting Green Purchasing*, Japanese government has created what is called the “Premium Criteria,” which sets a higher standard than the existing criteria for goods and services with higher environmentally-friendly performance. The revised version of the *Premium Criteria Guidelines* and its first-ever supplemental volume on the *Green Purchasing Guidelines for Events* are to be drawn up this March. These first-ever supplementary guidelines outline the green purchasing concept based on the Premium Criteria, with the 2020 Tokyo Olympic and Paralympic Games and other medium- to large-scale events in sight.

It is often said that the Premium Criteria is something to be proud of, as opposed to the existing criteria being something not to be ashamed of, and Premium Criteria have no legally binding force. As such, it tends to target public authorities and others that are already proactive in green purchasing. The guidelines demand the strengthening of existing criteria, including quantifying the amount of power consumed, and the addition of new criteria that are not part of the existing ones. Since fiscal year 2015, Ministry of the Environment has been attempting to meet the Premium Criteria in its procurement, but the reality is bleak with it not necessarily up to an adequate level. As the SDGs have also been adopted during this time, the Premium Criteria will undergo its second revision already, even though the last revision was only last March. 16 years have passed since coming into force, the *Act on Promoting Green Purchasing* has taken root as a public procurement measure in the environmental field, but when it comes to its implementation in the private sector and to national government’s need to promote further action, there are many challenges yet to be overcome.

[COLUMN]

“Green Purchasing: Challenges and Lessons for SPP”

Hideki Nakahara (Senior Fellow, Institute for Global Environmental Strategies (IGES); Professor Emeritus, Tokyo City University; Chair, International Green Purchasing Network)

ISO 20400: The Wave of Standardizing Sustainable Procurement

Influenced by London 2012 which was touted the Sustainable Olympics, ISO 20400 – a guideline for integrating sustainability in procurement, based on ISO 26000 – is expected to be published in 2017. ISO 20400 demands compatibility and due diligence in the supply chain. Even though it is more a code of conduct than a procurement standard, it is estimated that there will be a great impact on the market. This impact is amplified because “promot[ing] public procurement practices that are sustainable” was specified within Goal 12 of the SDGs (“Ensure Sustainable Consumption and Production Patterns”), which were adopted by UN member nations in 2015. We have entered the age of scrutinizing public and corporate procurement practices.

There is a global reason behind this shift, and it is the wave of CSR (corporate social responsibility). Regarding CSR management, we can refer to ISO 26000 (guideline on social responsibility), OECD’s *Guidelines for Multinational Enterprises*, and the UN *Global Compact*. As for information



disclosure, there are the Global Reporting Initiative (GRI), the International Integrated Reporting Committee (IIRC), and the Sustainability Accounting Standards Board (SASB). With supplier management, the Electronic Industry Citizenship Coalition's (EICC) *Code of Conduct* and the Conflict-Free Sourcing Initiative can be referred to. Finally, concerning human rights issues, the UN "Protect, Respect, and Remedy" Framework, the UN *Guiding Principles on Business and Human Rights*, and human rights due diligence have all been highlighted.

There have been two major consequences as a result: 1) Increase in self-regulatory activities regarding the environmental, social, economic, and political influences of businesses on the community; and 2) in the market, a rise in collective consumer behavior that favors producers and products based on ethical considerations including sustainability, justice, and fairness as a participatory means in solving global problems. Indeed, ethical consumerism has arrived. The challenge faced by green purchasing was in not being able to recognize greenwashing, or deception of environmental friendliness, and how it stands in the way of sustainable consumption and ethical consumerism. To prevent greenwashing, businesses must thoroughly promote CSR in the market, while consumers must proceed with their ethical consumption while keeping an eye on CSR activities as citizens.

We should not forget that Peter Drucker, who was once considered the man who invented management, stressed the importance of civil society, noting that the existence of a functioning civil society is necessary for the market economy to be able to do its part.

4.2 Promotion of CSR among Local Governments and Public Procurement: The Case of Yokohama City

Sustainable Public Procurement (SPP) takes many approaches and can be environmental, social, or economic. While Japanese local governments may not have taken up SPP per se, they have promoted procurement policies in their own unique context, and these policies must be included from the perspective of SPP. Listed below are current Japanese local government procurement policies that can be considered as contributing to SPP:

- Green purchasing (including procurement of environmental goods for public works)
- "Incentivized contracting" with businesses that contribute to the local community (including CSR initiatives and businesses that make disaster prevention contributions)
- Priority procurement for persons with disabilities
- Procurement based on the promotion of women's participation and advancement in the workplace [*Eruboshi* (L-Star) certified businesses, etc.]
- Work-Life Balance Promotion [*Kurumin* (family-friendliness) certified businesses, etc.]
- Other criteria to add points to the bidder in the comprehensive evaluation bidding system

Our research for this year has not delved into individual Japanese local government efforts, which will be left for exploration in the years to come, but in the following section, we will take a closer look



at the City of Yokohama as a representative case.

Yokohama City: “The Yokohama Model Regional Contribution Company Certification System” and Incentivized Contracting



The Yokohama Model Regional Contribution Company Certification Mark

Yokohama City (in Kanagawa Prefecture) has been promoting the Yokohama Model Community Contribution Company Certification System, which evaluates and certifies the businesses’ CSR efforts, and is considered one of the representative cases of pioneering efforts in Japan. With the heated debate on CSR prior to the publication of ISO 26000 as the backdrop, this certification system launched in 2007 is technically not operated by the city but by the Yokohama Industrial Development Corporation (IDEC), which is a public interest corporation. One of the advantages of getting certified for a business is that they can get qualified to place bids on Yokohama’s public works through “Incentivized Contracting.” This system is worth our attention among the SPP cases in Japan, especially from the perspective of “*From whom does a public authority purchase?*” or the source of public procurement. Corporations desiring certification apply to IDEC, who will then assess the applicants free of charge.

Advantages for Certified Companies:

- 1) Use of the certification mark
- 2) Promoted on IDEC and Yokohama City websites and other publicity materials
- 3) Partial priority fee for the “Management Consulting Menu,” a service for companies to have a business innovation expert sent to them on an ongoing basis
- 4) Invitations to seminars for certified companies (free of charge) and networking even for certified companies (partial charge)
- 5) Use of the “Growth Support Fund (public works partnership type)” Loan
- 6) Right to place bids in Yokohama City’s public works through “Incentivized Contracting”

Source: IDEC “The Yokohama Model Regional Contribution Company: Certification System Guide”

Assessment Criteria

Although the certification is entitled “Regional Contribution Company,” the points on which the companies are assessed are about their efforts in and attitudes on CSR, so this has practically become a CSR certification system for local businesses. Notable characteristic of this certification is in the



assessment criteria having the 1) system and 2) regionality aspects, where a company will not be certified unless it meets both criteria. System assessment is based on the “Regionally-Oriented CSR Management System Standard,” which this certification has formulated, and a company is assessed on whether it has created a management system (PDCA cycle) that allows for ongoing contribution to the region. Regionality assessment will be based on the following ten items: compliance, regional contribution, local utilization and orientation, employment, environment, quality, finance and business performance, labor safety and hygiene, consumer and customer treatment, and information security. These are divided into “necessary,” “important,” and “general” categories.

<Items for Regionality Assessment>

| Category | Item | Content |
|------------------|------------------------------------|---|
| <i>Necessary</i> | 1. Compliance | Oath of compliance, tax payment certificate, license & authorization |
| <i>Important</i> | 2. Regional Contribution | Active participation in regional volunteer and cultural programming, etc. |
| | 3. Local Utilization & Orientation | Priority selection of local companies in business partnerships, sales of local brands, etc. |
| | 4. Employment | Promotion of women’s employment and advancement (e.g. being awarded the Yokohama Good Balance award), childbirth and parenting support, caregiving support system, active hiring of elderly persons and persons with disabilities, etc. |
| | 5. Environment | Certification (e.g. ISO), participation in environmental activities, recycling, etc. |
| | 6. Quality | Certification (e.g. ISO), products intended for use by elderly persons, products that are health conscious, etc. |
| <i>General</i> | 7. Finance & Business Performance | posting a profit, separation of cash management and journal entries, securing an accounting advisor, etc. |
| | 8. Labor Safety & Hygiene | Certification (e.g. OHSAS), establishing a health and labor consultation liaison, etc. |
| | 9. Consumer & Customer Treatment | Establishing a customer consultation liaison, providing customer relations education and training, etc. |
| | 10. Information Security | Earning a P Mark (for privacy management), strict document and data management, customer information management, etc. |

Source: IDEC “The Yokohama Model Regional Contribution Company: Certification System Guide”

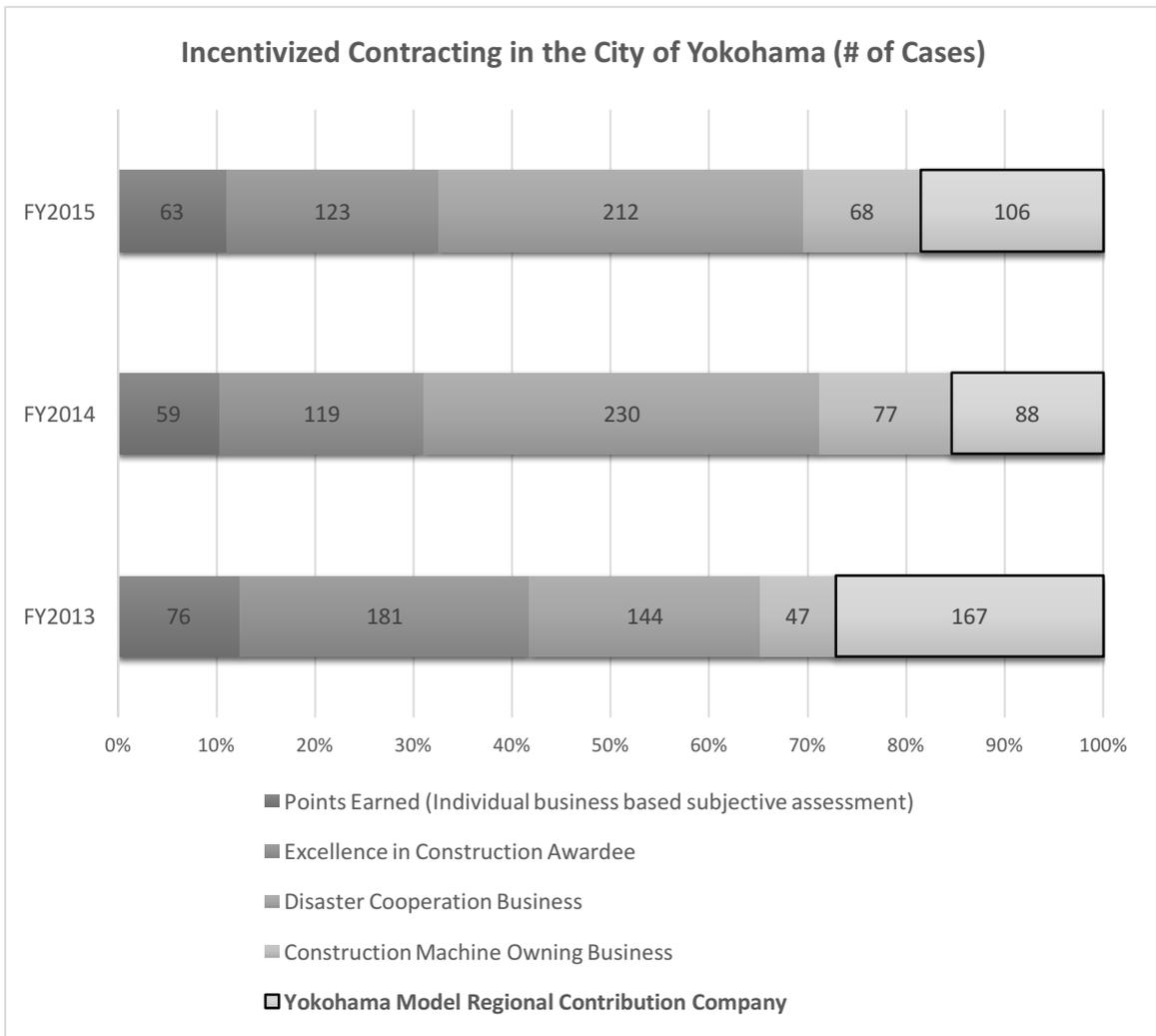


Current State of the Certification System



IDEC estimates that the number of certified companies will exceed 400 in April 2017, and about 40% of them are in the construction industry. We can assume that this is attributable to companies seeking certification to be able to place bids on Yokohama's public works through their incentivized contracting. In fact, almost all companies in the industry in Yokohama have already been certified in the ten years since this certification system began.

Looking at the record of Yokohama's public works incentivized contracting, 106 bids have gone to the certified Yokohama Model Regional Contribution Companies during fiscal year 2015.



Source: Yokohama City Finance Affairs Bureau “Overview of public works tendering and contracting results for fiscal year 2015”

Updates

The following three points can be listed as the latest news on the certification system, all of which show efforts to strengthen the system.

- Since April 2017, in its incentivized contracting for public works, Yokohama City has raised the points awarded to “regional contribution” (whether the bidder is a certified Yokohama Model Regional Contribution Company) from 1 point to 2 points, strengthening the incentive to be certified¹⁸.
- Starting in fiscal year 2017, incentivized contracting will be introduced to consignment contracts. Whether the bidder is a “Disaster cooperation business” or a “Yokohama Model Regional Contribution Company” will be incorporated into the assessment for “Road and Park Cleaning” and “Park and Greenery Management” consignment contracts¹⁹.

¹⁸ Yokohama City Finance Affairs Bureau “On the Changes in the Fiscal Year 2017 Comprehensive Assessment Bidding System” (March 24, 2017)

<http://www.city.yokohama.lg.jp/zaisei/org/kokyo/sougouhyouka/pdf/h290401oshirase.pdf>

¹⁹ Yokohama City Finance Affairs Bureau “Introduction of Incentivized Contracting in Consignment Contracts”



- Lack of diversity in the industry of the certified companies is a challenge, so to provide an incentive for certification to manufacturing companies, a certified company will have a lowered requirement for application to “Yokohama City Small and Medium Manufacturing Enterprise Capital Investment Grant System,” where they can apply for the grant for consecutive years.

The second point about incentivized contracting in consignment contracts requires some caution as to the reason for its expansion. According to the published documents by the Yokohama City Finance Affairs Bureau, the reasons are as follows:

“Most contracts that the Contract Division of the Finance Affairs Bureau makes is a one-year contract that starts in April, and this means that there is a concentration of bidding at a specific time of the year. This makes the bids highly competitive. Especially when it comes to consignment contracts where there is a minimum bidding requirement, we often end up with having multiple bidders place their bids at this minimum amount, which ends up being the final tender price. We have had an increasing amount of cases of bidders being selected by a random draw, and the competition among businesses become even harsher.” [Excerpt from Yokohama City Finance Affairs Bureau “Introduction of Incentivized Contracting in Consignment Contracts” (December 15, 2016)]

As we can see from above, changes and improvements in the certification system are not simply the result of desires to promote corporate regional contribution or to increase social responsibility. In fact, we must note that the city, in this case, is using incentivized contracting to respond to problems they have had in the tendering process.

Either way, it still holds true that IDEC’s Yokohama Model Regional Contribution Company Certification System and the City of Yokohama’s incentivized contracting system are forerunners among Japanese local government initiatives in SPP. Other local governments, such as Saitama City (of Saitama Prefecture) and Utsunomiya City (of Tochigi Prefecture) have learned from Yokohama’s know-how as they introduced their own corporate certification systems, and there is expectation for a more active application of such systems in procurement as well.

[COLUMN]

“Local Government’s Human Rights Considerations in Public Procurement”

Hidenori Matsuoka

[Specially Appointed Researcher, Asia-Pacific Human Rights Information Center (HURIGHTS OSAKA)]

It has become commonplace to take human rights into consideration in CSR procurement. For



example, the Electronic Industry Citizenship Coalition's (EICC) *Code of Conduct*, on which many corporations rely, states in the beginning that it "[t]he standards set out in the *Code of Conduct* reference international norms and standards including the *Universal Declaration of Human Rights* [and] *ILO International Labor Standards*." Also, in the section of the Global Reporting Initiative (GRI) standard on topic-specific disclosures entitled "Negative social impacts in the supply chain and actions taken," it requires organizations to report by referring to the UN *Guiding Principles on Business and Human Rights* (hereafter *Guiding Principles*). Corporations with global enterprising have built up a common understanding that they must follow these standards, and that they must at least base their actions on the *Guiding Principles*, regardless of how effective they are.

The *Guiding Principles* state that for businesses to respect human rights, they must conduct human rights due diligence. In other words, they must identify the risks of human rights violations, or the adverse impact of their daily business operations on human rights throughout their value chain, and if there is potential for risk, then they must work to prevent and mitigate them. If violations are already happening, then they must take remedial measures. The key here is that businesses must begin this process with the analysis of their operations.

Let us look at challenges in public procurement in Japan. In the public procurement ordinance of Kokubunji City (of Tokyo), the following six "social values" are listed as standards by which companies are evaluated: 1) Efforts in employing persons with disabilities; 2) efforts in employing elderly persons; 3) efforts in gender equality; 4) participation and/or efforts in volunteer activities; 5) environmental considerations; and 6) contributions to the local community through crime prevention, disaster prevention, and/or snow removal (*Kokubunji City Public Procurement Ordinance Manual*). The above values 1 through 3 are undoubtedly matters of human rights. Systems and frameworks such as these can also be found in many municipalities across the country, and oftentimes use some type of certification framework for a particular issue as an assessment standard in the procurement process.

What is the difference between the two? The former comes out of the enterprise's own business operations, while the latter is based on a particular problem that needs solving. This difference is telling of the reality that in CSR procurement, the corporation must first and foremost meet its social responsibility and set procurement standards accordingly, while in local government procurement, the public authority lacks the perspective of their own social responsibility.

Local governments construct their frameworks also from the point of view of local policymaking. This perspective is indispensable and of great importance. However, the operational process of a government agency must also be analyzed from the perspective of social responsibility. It means that the local government must come to a renewed acceptance that the issues concerning social responsibility, as outlined in ISO 26000, also apply to them. Only when they can take this detour can they make public procurement a more practical one.



4.3 Trends among Other Local Governments: Public Contract Ordinances

When it comes to the local government efforts toward responsible procurement in Japan, its origin is in securing fair labor standards for the workers employed for public contract projects. Regarding this topic, it has been internationally accepted that all workers employed in public works are entitled to the same minimum standard wage (for skilled laborers) set by national laws or regulations²⁰, as stated in the ILO *Convention No. 94*. However, Japan has not ratified this convention.

After the burst of the economic bubble in the 1990s, local government finances deteriorated and bidding for public contracts became more competitive. Consequently, issues such as unfair dumping and fraudulent bidding became social problems. Furthermore, as consignment in public operations expanded, wages and labor conditions of workers in consigned operations also deteriorated. Given these circumstances, local governments began to review their tendering systems in public works, which set forth the establishment of ordinances on public contracts and public procurement among local governments in Japan. It has been said that the active engagement of labor unions such as the National Federation of Construction Workers' Unions (known as “Zen Ken So Ren”) and the All-Japan Prefectural and Municipal Workers Union (known as “JICHIRO”) played a large role in the establishment of these ordinances. In the process of drawing up these ordinances, many different themes and topics were widely included beyond the initial issue of labor conditions, and this has led to the attempts to actualize a variety of social values through these ordinances. By and large, this has been the history of local government efforts in responsible public procurement in Japan thus far.

Today, it can be estimated that over 30 local governments²¹ across the nation have established ordinances regarding public contracts and public procurement, including pioneers such as Noda City (in Chiba Prefecture) in 2009. The social values included in these ordinances are quite diverse – such as environmental considerations, enrichment of social welfare, gender equality, or revitalization of the local economy – and they are generally designed according to the municipality’s circumstances or objectives. For example, in the case of Kokubunji City (of Tokyo), in their comprehensive assessment type bidding for public contracts, they consider the following aspects of the bidder’s business operations: 1) Efforts in employing persons with disabilities; 2) efforts in employing elderly persons; 3) efforts in gender equality; 4) participation and/or efforts in volunteer activities; 5) environmental considerations; and 6) contributions to the local community through crime prevention, disaster prevention, and/or snow removal. At an age when sustainability of some municipalities in non-metropolitan areas has been threatened, public procurement policy that considers not only the local economy and welfare but also human rights including labor practices can serve as a vital means to build a sustainable local community.

²⁰ From the National Federation of Construction Workers’ Union (Zen Ken So Ren) Website (http://www.zenkensooren.org/news_page/jorei_02/). Japan has not ratified the ILO Convention No. 94.

²¹ References: The National Federation of Construction Workers’ Union (Zen Ken So Ren) website (see URL above) and Tsutomu Otani’s (2009) article entitled “Roles of Local Governments through the ‘Public Contract Ordinances,’” from the “9th Meeting on the Role of Local Governments in Society with Inequality and Poverty” (<http://www.jichiro-kyoto.gr.jp/soken/kaiho/09y/109/6.pdf>).



[COMMENTARY]

“Sustainable Public Procurement and the 2020 Tokyo Olympic and Paralympic Games”

Kaori Kuroda (Executive Director and Board Director, CSO Network Japan)

The aim of the Tokyo Olympic and Paralympic Games to be held in the summer of 2020 is to be an event that emphasizes sustainability. Immediately after London decided to stand as a candidate for the 2012 Olympic and Paralympic Games, they vowed to be the “most sustainable games ever,” and created the sustainability plan and sustainable sourcing code. The emphasis on sustainability was carried on to the 2016 Rio games.

The 2020 Tokyo Organizing Committee of the Olympic and Paralympic Games (hereafter the Committee) looked to London 2012 as a model, and has established a *Sustainability Plan* and a *Sustainable Sourcing Code*. The Committee’s Sustainable Sourcing Working Group, of which I am a member, has been involved in the creation of the sourcing code. In the current Sourcing Code draft, the following four principles have been named as being of importance in sustainable sourcing:

- 1) how procured products are supplied;
- 2) the origin of procured products and the resources of which they are made;
- 3) compliance with the Sourcing Code throughout the supply chains; and
- 4) the effective use of resources.

The scope of the *Code* covers the entire range of goods and services procured by the Committee, including licensed products. There are two layers of sustainability standards for suppliers and licensees: 1) common standards for all goods and services, and 2) item-specific individual standards (e.g. timber, agricultural products, livestock products, fisher products, etc.).

The *Code* can be recognized for its wide coverage of matters including legal compliance, environment, human rights, labor, and economy. At the same time, the *Code*’s limited application to goods and services procured or licensed by the Committee has been pointed out as problematic. When the *Code* is finalized, it is our hope that it will be securely implemented, that there will be monitoring and follow up, too. Additionally, we hope that the Japanese government as well as the local governments throughout the country would inherit sustainable public procurement (SPP) as Tokyo 2020’s legacy, and be proactive in adopting and implementing SPP to build a more sustainable society.



5. Looking Towards the Future

5.1 Japanese Government Measures and Challenges

Goal 12 of the SDGs is entitled “Ensuring Sustainable Consumption and Production Patterns.” Among the targets under Goal 12, Target 12.7 calls to “promote public procurement practices that are sustainable, in accordance with national policies and priorities,” and the global indicator in monitoring this target has been framed as the “number of countries implementing sustainable public procurement policies and action plans” (12.7.1). In the years to come, Japan must report out its implementation of this goal to the UN, but what specific course of action has the Japanese government mapped out so far?

(1) Japan’s SDGs Implementation Guiding Principles and SPP

In December 2016, the Japanese Government has published the *SDGs Implementation Guiding Principles*, and listed “Specific Measures to Achieve SDGs” as an appendix to this document²². Regarding SPP, “Promotion of green procurement” was included under “5. Energy Conservation, Renewable Energy, Climate Change Countermeasures, and Sound Material-Cycle Society,” which is fifth of the total eight policy areas. Ministry of the Environment has been designated as the “related governmental agency” in this measure, with the following outline provided:

“The State and Incorporated Administrative Agencies, etc. formulate and publish procurement policies that provide specific procurement targets for each of the designated procurement items and promote prioritizing the procurement of eco-friendly goods.

²² Prime Minister’s Office “SDGs Promotion Headquarters” website

<http://www.kantei.go.jp/jp/singi/sdgs/index.html>



Additionally, the indicator for this measure has been set as “procurement rates of the designated procurement items by the State, etc.” In other words, in terms of Japanese government’s domestic efforts in meeting SDG 12.7, green purchasing is the only measure listed.

Throughout the process of creating this *Implementation Guiding Principles*, CSO Network Japan has advocated for the inclusion of a more comprehensive SPP policy that is not limited to green purchasing. We have made this clear at the SDGs Promotion Roundtable, which was created under the SDGs Promotion Headquarters and held twice, and through public commenting, but, ultimately, the inclusion of a comprehensive SPP policy did not materialize for either the domestic or the overseas implementation guidelines.

As mentioned above, SDG 12.7 comes with the provisional clause that reads “in accordance with national policies and priorities,” and the Japanese government had been internationally recognized thus far as a frontrunner in SPP with its green purchasing legislation. Therefore, it is all the more disappointing that the administration could not promote SPP beyond green purchasing at this time. These *Guiding Principles* were fundamentally a collection of policies that each ministry or agency had hammered out on their own. We suspect that the administration was unable to promote cross-sectoral policies that overstep the boundaries of each ministry’s areas of authority.

(2) Challenges for the Future

As discussed separately in the previous sections of this report, the Japanese government has already worked on individual policies that may be included as part of SPP besides green purchasing, such as priority procurement for persons with disabilities, procurement based on the promotion of women’s participation and advancement in the workplace [*Eruboshi* (L-Star) certification for businesses, etc.], and work-life balance promotion [*Kurumin* (family-friendliness) certification for businesses, etc.]. It is essential that these independent measures are all positioned as part of the SPP concept. Furthermore, as the SDG indicator 12.7.1 demands states to be “implementing sustainable public procurement policies and action plans,” the Japanese government faces a challenge in establishing comprehensive SPP policies and action plans.

As was evident in the recent discussion over the Olympic sourcing code, the internationally demanded sourcing standard takes procurement beyond green purchasing. Also, we have seen through Tokyo 2020, establishment and implementation of procurement standards require the overcoming of compartmentalized government structure. When it comes to the entirety of the Tokyo Olympic and Paralympic Games, the procurer is not limited to the Organizing Committee but includes governmental agencies and local governments that are involved in the hosting of the games. It is critical that organizational compartmentalization is overcome and replaced with a more cross-sectoral cooperative structure that would allow for the implementation of SPP. For the local governments who have any part in Tokyo 2020, it is surely a challenge in how they should carry out SPP, but it can also be considered an opportune time for them to work on SPP that is forward-looking, strategic, and at the local government level.

On the foreign policy front, Japan faces a challenge to lead in the efforts toward sustainable



consumption and production (SCP; derived from SDG Goal 12) through proactively demonstrating Japan's experiences and knowhow in SPP policy to the world, and through providing funds or technical assistance as necessary. Looking at the trends of the Asia Pacific Roundtable on Sustainable Consumption and Production (APRSCP), the European presence is quite strong in the Asia Pacific region. Based on the UNEP *10-Year Framework of Programs on Sustainable Consumption and Production (10YFP)*, European nations have been forthcoming in their funding and technical assistance to developing nations in Asia through the SWITCH-Asia Program, possibly with the intent to set the stage for European corporations to develop their businesses in Asia's developing countries. In November 2016, the European Commission published their domestic and foreign policies on SDGs²³. These efforts are mentioned as part of their foreign policy, and their mid- to long-term SDG vision beyond 2020 is also worth our attention.

Using SDGs or Tokyo 2020 as impetus, Japan must come up with a clearer vision and domestic strategy towards a more sustainable society. To do this, a more comprehensive consideration and creation of public procurement policies that can help achieve these goals are much needed. This will not only lead to the promotion and mainstreaming of sustainability domestically but also to a substantial contribution on international, and especially Asian-Pacific, sustainability efforts.

²³ The creation of EU's SDGs policies can be mainly divided into two processes: foreign policies and European policies. On the foreign policy front, they have been revising the "European Consensus on Development," which is a collection of Europe's international cooperation policies toward the developing world. The current Consensus was created in 2005, but in November 2016, "A Proposal for a New European Consensus on Development: Our World, Our Dignity, Our Future" was published. The revised Consensus will include EU's contribution to the SDGs through development cooperation and foreign policy that are not limited to the ODA. (See: http://ec.europa.eu/europeaid/proposal-new-european-consensus-development_en)

At the same time, as part of their domestic policy, the EU has published the "Next Steps for a Sustainable European Future: European Action for Sustainability" as their guidelines for the years leading up to 2020. This document maps out EU policies that meet each SDG, and identifies ten priority areas for the 2030 Agenda. Simultaneous to this implementation, they have begun creating long-term visions beyond 2020 as a separate track, and stated that a multi-stakeholder platform will be launched to improve effectiveness in the implementation. The working document appended to the above policy documents includes charts of EU's foreign and domestic policies in detail, organized by the 17 goals of the SDGs. (See: http://ec.europa.eu/europeaid/commission-communication-next-steps-sustainable-european-future_en)



**CSO Network Japan: *SDGs Guiding Principles* Public Comment
(October 31, 2016)**

On the Promotion of Green Procurement (Ministry of the Environment) [12.7]

“It is natural that the promotion of green purchasing be included as a measure towards sustainable public procurement, because government agencies, local governments, and independent administrative corporations have already been working on this in Japan. On the other hand, there are demands for a more cross-sectoral effort beyond the Ministry of the Environment’s jurisdiction, such as from the social perspective that includes human rights and labor or from the perspective of promoting a circular economy in the local community. We believe that sustainable public procurement policies be expanded beyond the Ministry of the Environment or green purchasing.”

Reference: Responses to the questionnaire administered by Japan Civil Society Network on SDGs

<Target 12.7 “Promote public procurement practices that are sustainable, in accordance with national policies and priorities”>

Ensuring sustainable consumption and production (SCP) patterns is an important and urgent matter in building a sustainable society. Of all consumption, public procurement’s impact on the market is very large, and in Japan the government final consumption expenditure accounts for 20.6% of the nominal GDP (FY 2014). Efforts made in the Western nations have become forerunners in recent years, while those of Japan has been limited to legislation such as the *Green Purchasing Act* of 2000. We must strengthen our SPP efforts as a developed nation, utilizing the SDGs as an impetus and working simultaneously on the *Tokyo 2020 Sustainable Sourcing Code* and the ISO 20400 (international standard on sustainable procurement expected to be published in 2017), which is currently being established. Also, it is vital that these measures are connected to the promotion of sustainable circular economy (or regional revitalization) in our non-metropolitan areas. The strengthening of these measures can lead to the promotion of the UNEP *10-Year Framework of Programs on Sustainable Consumption and Production (10YFP)*, which would allow for Japan to actively lead on the international stage.

The current SDGs Global Indicator 12.7.1 suggests the “number of countries implementing sustainable public procurement (SPP) policies and action plans,” yet there is no comprehensive policy or action plan on the promotion of SPP in Japan, so there is also need for the creation of such policies and action plans.



CSO Network Japan: Comment After the Publishing of the SDGs Guiding Principles (February 15, 2017)

On Sustainable Public Procurement (SPP)

It is to our great regret that public procurement only included the promotion of green purchasing, as found in the appended chart. Due to its vast impact, integrating sustainability into public procurement is considered essential to the realization of a sustainable consumption and production pattern. Implementation of SPP is not only rapidly spreading among Japanese businesses but has become a large global trend with ISO 204000 and the EU mandate on sustainability in public procurement. In Japan, we have been working on the Tokyo 2020 *Sustainable Sourcing Code* and on policies that incorporate the perspective of women's advancement into public procurement. Given these trends, there will be even greater need to integrate the concept of SPP – including economic, environmental, human rights, labor, and other social aspects of sustainability – comprehensively to public procurement.

From the perspective of regional revitalization in our non-metropolitan areas, it is important to reflect the SDGs on each local government's sustainable regional revitalization strategies and efforts. In doing this, SPP can be an effective policy means that can influence the achievement of other SDGs. Also, not only large corporations but regional SMEs can actively work on SDGs. We strongly demand SPP's inclusion upon revision of the *Guiding Principles*.

(From the assessment comment submitted to the Japan Civil Society Network on SDGs)

5.2 Reporting from the “1st Sustainable Public Procurement Forum: Possibilities of Local Governments' Sustainable Public Procurement Measures in the Era of SDGs”



On Wednesday, December 21, 2016, CSO Network Japan held the “1st Sustainable Public Procurement Forum: Possibilities of Local Governments' Sustainable Public Procurement Measures in the Era of SDGs” at the Hibiya Library. 30 participants with backgrounds in civil society, NGOs, businesses, researchers, and procurement officials in various agencies came for a wide variety of discussion on global trends and Japan's challenges toward regional-based implementation of SPP.



At the forum, CSO Network Japan reported first. As an organization that had just begun SPP research this fiscal year, we reported on the overview of UNEP *10-Year Framework of Programs on Sustainable Consumption and Production* (10YFP) and other international frameworks on SPP, UNEP research initiatives, sustainable consumption and production (SCP) in Asia, SPP implementation in various Asian nations, European local government initiatives as reported at the October 2016 Procura+ Seminar, and other notable activities in this area.

Then we heard from Mr. Hidemi Tomita of Lloyd's Register Japan who reported on the summary and latest discussions on ISO 20400 (Sustainable Procurement standard), which was about to be published. Mr. Tomita was followed by Ms. Kaori Kuroda of CSO Network Japan, who introduced to the forum participants the social aspects of SPP, especially regarding the trends in Germany and the U.S.

Next, Mr. Hideki Nakahara of the Institute for Global Environmental Strategies (IGES), Tokyo City University, and the International Green Purchasing Network informed the forum participants of the introduction of SDGs and the status quo in Japan, and emphasized the importance of Japan working on SPP from the experience and standpoint of green purchasing and ethical purchasing.

Finally, Mr. Takashi Otsuka, the Director ICLEI (International Council for Local Environmental Initiatives) Japan spoke on ICLEI's activities that focus on local government sustainability efforts as well as on ICLEI's initiative on international SPP.

During the question and answer session, we discussed how Japan can mainstream SPP policies at the local government level that go beyond green purchasing and include environmental, social, and economic sustainability issues. Despite the short amount of time, the participants voiced diverse opinions, with the main points summarized below:

- Need for each local government to formulate strategies that consider sustainability as preamble to their efforts on SPP
- Importance of clarifying and making visible the incentives and effects of local government procurement officials' efforts
- Due to the multifaceted nature of SPP, it is unclear to whom or to what office the responsibility lies within local government
- Japanese government implementation of SPP as national policy must proceed other measures, as was the case with the Green Purchasing Act

Although not discussed in detail at the 1st SPP Forum, there is a similar situation in Europe as well. Among European local governments, green purchasing also proceeded every other measure in SPP, and they are still largely at a trial and error stage when it comes to human rights, child labor, corporate supply chain issues, contributions to the local economy, and the introduction of life-cycle costing, leaving behind a myriad of issues yet to be tackled. We found it our challenge in Japan to fully develop our inquiry into the mainstreaming of SPP in Japan and its potential for improving sustainability of Japan and for contributing to the achievement of SDGs, while we consider each of the many aspects of SPP according to the Japanese context. For example, in Europe, SPP is discussed as a policy means



from the perspective of actualizing the circular economy on the local government basis. In the Japanese context, we can also consider how we can use procurement policy as an incentive to move towards the circular sustainable local economy, which will be one of the challenges Japan faces for the future.

[COLUMN]

“Yuki-no-Sato Touwa Regional Resource Circulation Center and the New Public”

Seiji Sugeno [*Yuki-no-Sato Touwa Furusato-zukuri Kyogikai* (Council for Hometown Development of Organic Farm Village Touwa)]



“The carrots are so sweet!” “Tomatoes taste like the good old days!” These are the voices we hear about “Genki Vegetables (genki = healthy, energetic),” which are sold at a vegetable stand run by an NPO and located inside Roadside Station Fukushima Touwa in Nihonmatsu City, Fukushima Prefecture. The nonprofit organization has 250 members, and encourages keeping the soil in good condition using Genki Compost. They have come up with their original certification system called “Touwa Genki Vegetables,” which consists of six promises including soil inspection, reduction of pesticide uses by more than half, and radiation inspection. From new farmers in their 20s to 90-year-old farmers are energetically engaging in the growing of vegetables.

Safe and delicious vegetables begin with the soil condition. In 2003, nine organic farmers, cattle farms, and food businesses came together and launched a “Regional Resource Circulation Center.” It is a compost center that uses cattle manure from the cattle farm, rice husk from rice farmers, and food waste, which includes over 14 different types of foods including grounds of bonito and kelp from the soy sauce manufacturer, vegetable scraps from cut vegetable factories, tofu refuse, buckwheat flour, candy, and residue from making Chinese medicine.

“Genki Compost” is a fully matured compost, rich in minerals, fermented and matured for over six



months. Partnering with food business companies within an hour from the Touwa district and connecting with cattle farmers who were having problems with manure disposal, the Regional Resource Circulation Center is indeed playing its part in effectively recycling food waste and creating a reusable resource. Because it is a resident-led nonprofit organization, it could set up a mechanism where this fully-matured compost could be provided for the community, the soil in the enter region became better, a production system was created for safe and delicious vegetables and fruits, and the consumers could feel at ease when purchasing Genki Vegetables. These vegetables can also be purchased at co-ops and supermarkets in Fukushima City and Nihonmatsu City.

In Japan, commercial food waste amounts to about 19 tons a year, and foods that can be eaten but are thrown out amount to about 6.32 tons a year. If regional resource circulation centers like Yuki-no-Sato Touwa could spread nationwide, we can witness a new role for the New Public, which can help generate some energy and health for the community.

5.3 Towards the Future: What Can Be Done to Promote SPP?

(1) The Need for a Consistent Long-Term Vision

Although Sustainable Public Procurement (SPP) includes a wide range of measures, it is only but one policy tool towards building a sustainable society. However, when we look at the status quo through the SPP lens from the bottom up, we cannot but notice that there is a lack of consistent long-term vision on building a sustainable society in Japan, both at the Japanese government and local government levels.

For example, in the United Kingdom, sustainable development strategies were first crated in 2005, with the goal of leading the sustainable procurement efforts within the EU by 2009. In response, SPP was discussed for a full year in the task force, which resulted in the “Procuring the Future: Sustainable Procurement National Action Plan” in 2006. This is prior to the SDGs being established. Moreover, the Modern Slavery Act was introduced to deal with the supply chains of British businesses, with its revisions being under discussion as of late to include public procurement.

At the EU level, based on the new EU directives on procurement from 2014, it has become a European standard to incorporate SPP. At the level of each state within the EU, it is still at the trial and error stage when it comes to the area of “socially responsible procurement,” which considers human rights and other issues within the supply chains, as it remains difficult to objectively assess sustainability as opposed to environmental aspects. However, it still holds true that the strengths in Europe lies in the flow of how EU first demonstrated the vision of a sustainable society to its member states, each state created its own policies based on its circumstances, and the local governments and businesses got to work according to those policies. Currently, EU is already working on its SDGs vision beyond 2020.



In Japan, a comprehensive and consistent policy or strategy on sustainability has not existed in any clear form, and the result of this is in the tendency for a wide assortment of different and independent strategies and measures to spring up on a rather random basis. While individual SPP measures may be positive in and of itself, it will be difficult to follow up with all of them in the medium to long term with each measure building up on its own and complicating the overall system.

(2) Overcoming Compartmentalized Policy

Approaches in SDGs and SPP policies have the potential of organically connecting various policies toward a sustainable society. Thus far, all measures that had anything to do with SPP were all established separately, including the *Japan Revitalization Strategy*, *Promotion of Dynamic Engagement of All Citizens*, *Promotion of Women's Participation and Advancement in the Workplace*, *Environmental Basic Plan*, and *Basic Policy for the Promotion of Procurement of Eco-Friendly Goods and Services*. It is difficult to consider a comprehensive SPP action plan at the Japanese national level due to the lack of strategy towards a sustainable society and/or consistency in policymaking. In this sense, it was a meaningful first step to have all the various policy measures compiled into one document as part of the *SDGs Guiding Principles*. In the future, there would be a need to take another step forward by reorganizing the existing procurement-related policies, keeping in mind the impact on each of the sustainability issues listed in the SDGs, while figuring out how to use public procurement as a connecting point.

At the local government level, there are many cases where sustainability in the regional environment, society, and economy has not been positioned as a unifying vision for the municipality, hence it is not reflected on the procurement policy, either. When we look at progressive local governments in Europe, we see that even though they follow EU policies, each local government also establishes its own vision and strategy on sustainability toward 2020 or some point in the future, and promote SPP (or green public procurement) as a policy means to realize the vision. As seen in the recent Olympic and Paralympic games, how a local government proceeds with sustainable procurement has become a matter of international recognition, and we must acknowledge the fact that the local government's attitude toward SPP itself is called into question.

(3) New Actions among Local Governments

Among Japanese local governments, incentivized contracting has garnered attention. Yokohama City has already implemented this measure, but the neighboring Kawasaki City has also decided to introduce incentivized contracting in public works tenders on an exploratory basis starting in fiscal year 2017. Kawasaki's system will award additional points to bidding companies that contribute to the regional society with a disaster prevention agreement or through employment of persons with disabilities. This started because of demands from local SMEs²⁴. Kanagawa Prefecture (to which both

²⁴ Kawasaki City (in Kanagawa Prefecture)

<http://www.city.kawasaki.jp/templates/press/cmsfiles/contents/0000080/80710/280930osirase.pdf>

<http://www.city.kawasaki.jp/980/cmsfiles/contents/0000065/65115/seigan092.pdf>



Yokohama and Kawasaki belong) has begun its “Life Contribution Designated Bidding”²⁵ and Odawara City (also in Kanagawa Prefecture) has begun its version of the incentivized contracting in public works as well²⁶. These are all examples of newly started procurement system that prioritizes businesses with a disaster response agreement with the local government or those that have a superior record of contributing to the region.

In terms of public procurement on the ground, public contract ordinances bring up another issue. It has been pointed out that local governments are actually turning workers into working-poor people through the general public bidding leaving the contract price so low with the contractor making barely any profit. To improve these circumstances, more and more local governments are adopting the public contract ordinances.

As we have seen above, improvements in the local government procurement practices are gathering attention. We can easily imagine that procurement departments bear a heavy burden when local governments add public works that take life-cycle costing or CSR procurement on top of green purchasing, priority procurement for persons with disabilities, and priority procurement towards women’s advancement. It may well make people believe that sustainability issues should be dealt with through means other than public procurement, which tends to be a more sensitive matter for the municipality. For the procurement division, failed bid would surely feel like a much worse problem than ignoring sustainability issues. Therefore, it is necessary to consider the implementation of SPP gradually from a more comprehensive perspective, not at the individual departmental level but in terms of larger strategy and policy, and through justifying the budget and revising the system. Among European local governments, such as with Copenhagen, procurement and bidding are done in each division but there is a specialized division for SPP where professionals in SPP, including attorneys, can provide expert advice. This allows for cross-divisional technical support. It would be imperative for local governments in Japan to consider these existing cases as well.

(4) Building a Sustainable Relationship Between the Japanese Government and the Local Governments

When we talk about sustainability for local governments in Japan, we almost exclusively refer to the issues in relation to the population concentration to Tokyo or to financial matters. If a local government is lacking in revenue sources, and if there is no prospect in the medium to long term for improvement, then perhaps it is simply being honest when they say they have very little left in them to work on SPP. In that regard, the Japanese government’s role becomes indispensable. It will be necessary for the Japanese government to recognize local governments that are proactive in SPP, to consider incentives such as budgetary or technical assistance measures, and to support them.

When the top-down efforts of Japanese government’s establishment of long-term vision and policy and the bottom-up local government-based and business-based efforts merge, and when the mutual

²⁵ Kanagawa Prefecture <http://www.pref.kanagawa.jp/cnt/p882311.html>

²⁶ Odawara City (in Kanagawa Prefecture) <http://www.city.odawara.kanagawa.jp/municipality/jigyuu/contract/system/p20102.html>



relationship between central and local governments is built, SPP can then ensure its sustainability as system.

This year's report was an attempt to understand the basic trends in Japan and in other countries regarding SPP. Based on the points and issues raised through this report, we would like to proceed with more-detailed research with the ultimate goal of mainstreaming SPP in Japan.

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