



PUBLIC PROCUREMENT IN JAPAN

THE THIRD MARKET FOR PUBLIC PROCUREMENT WORLDWIDE

- Japan is the 3rd largest market for public procurement, after China and the USA, with a total estimated worth of 788.3 billion US dollar or 698 billion euro in 2017.
- Japanese central government tenders alone lead in 2018 to nearly 10 billion euro ICT and computer related orders, nearly 1.7 billion euro health related orders and nearly 3 billion euro of green economy related orders.
- Foreign services and products were able to penetrate in the Japanese government procurement market for ICT / computer and for health. Procurement related to the green economy was less open for foreign suppliers, but the development of off shore wind mills in Japan might change that.

WHY TENDERING IN JAPAN

Due to the EU-Japan Economic Partnership Agreement coming into force in 2019, the EU has gained **better access to contracts** put out for tender in Japan by both the central government and regional and local governments. Furthermore, a **non-discriminatory access** for EU suppliers to the procurement markets of 48 cities of around 300.000 inhabitants is provided.

The EU-Japan EPA provides a new requirement whereby notices of intended or planned procurement must be directly accessible by **electronic means, free of charge**, through a single point of access. Public notices of intended procurement (searchable under the term "Notice of procurement") by all procuring entities can be consulted on JETRO's website. Japan has also established the following procurement procedures to further **guarantee transparency**, fairness and competitiveness: (1) invitation to submit materials for determination of specifications, etc.; (2) invitation to comment on proposed specifications; and (3) disclosure of designated suppliers when the Selective Tendering Procedure is implemented. To conclude, the *Keishin* (i.e. a numerical score) assessment will take place in a non-discriminatory manner.

JAPAN AT GLANCE:

- Income group (OECD classification) High-income= GNI/capita of **\$12,236 or more**
- Population: **126,264,931** inhabitants
- GNP per capita **\$41710**
- The Global Index of Economic Openness 2019 (Legatum Institute): **15th best of 157** countries- Competitiveness Index 2019 (World Economic Forum): 78.1 - **6th best of 140** countries
- Corruption Perceptions Index 2020: 74/100, **19th out of 180** countries

INFORMATION:

Partner in charge: Flanders Investment & Trade
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Connect with the EU-Japan Centre for Industrial Cooperation.

The centre has a lot of information available and have a dedicated "The Japan Tax & Public Procurement (JTTP) Helpdesk" which provides a range of services in the area of public procurement.

TIPS TO ENGAGE IN PUBLIC PROCUREMENT IN JAPAN

1. Language: Public procurement market information is almost exclusively available in the Japanese language and procurement officers will mostly not be accustomed to communicate in a foreign language. Therefore, it is important to have a Japanese speaking employee or to find a local partner.

2. Local preference: A large part of the contracts is awarded to locally based companies and procuring entities often include (after) service guarantees as one of the conditions.

3. Standards and licences: The Japanese Industrial Standards (JIS) system is still often used in the drafting of tender specifications.

4. Preregistration: Japan's government institutions require their suppliers to qualify before taking part in actual tendering and no unified system exists.

5. Organisation diversity: There is no centralized public procurement agency in Japan. Procurement is left to each individual government entity. At the central government level there is a fair degree of standardisation of procedures, for regional and local entities the picture is much more diverse. Detailed inquiries should be directed to the procuring entity.

6. 3 methods for public procurement: ((1) Open Competitive Tender (ippan kyouso nyusatsu), which is the basic bidding procedure; (2) Selective Tendering Procedure (shimei kyouso nyusatsu), in which only a small number of suppliers can participate; (3) Limited (Single) Tendering Procedure (zuiikeiyaku (gentei nyusatsu)); which is exceptionally used.

GET READY FOR SECTOR BASED OPPORTUNITIES

- Due to its aging population, the Japanese Government has designated the **health sector** as a priority sector. In 2019, Japan's spending on prescription medicines was \$87 billion, making it the fourth market in the world after China, the US and the EU¹. The EPA has added a number of crucial public health entities to the list of government entities covered by the EPA chapter on public procurement.
- In the **ICT** sector, Japan announced an ambitious new policy towards creating a digital society and economy with the creation of a new government agency, the Digital Agency, established in 2021. It is expected to play a major role in the procurement of IT by the Japanese central government, for which a budget of 2.3 billion euro has been allocated. Furthermore, the EU and Japan have been jointly launching calls for project proposals addressing today's and tomorrow's challenges on ICT.
- Recently, these calls also include solutions for **"Smart Cities"**. Furthermore, the Japanese government has designated **green (economy) procurement** as a priority. The Green Procurement Act focuses on items in 22 fields, covering 282 items, such as computers, office furniture, mobile phones, air conditioning, lighting, etc. An overview is given in the "Basic Policy on Promoting Green Procurement", which is yearly updated.

TARGET SECTORS

