

ON THE JAPANESE EXPERIENCE IN PUBLIC PROCUREMENT IMPLEMENTATION

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Annotation

This article looks at the importance of the role of government procurement in Japan. I tried to collect more information on how the government handles its purchases, companies owned by the Japanese government, and what tenders are available in Japan. The conclusions are based on scientific literature and statistics from recent years.

Keywords: government procurement, tenders, investments, goods, services, suppliers, Kanpo, local government, JST, GPA, account, contract, requirement.

Public Procurement Agreement, which came into force in January 1981, establishes the rules for preventing discrimination between foreign and local sources and dealing in the same way as Japanese citizens. This Agreement was subsequently reviewed several times, and as a result of negotiations in the Uruguayan round, changes were made to the treaty: 1) expanding the scope of public procurement (applies to regional governments and a wider range). persons associated with state bodies); 2) applying the Agreement for purchasing services; and 3) introduction of a complaint review system regarding procurement procedures. This Agreement, signed by 23 states, came into force on January 1, 1996.

Most public procurement in Japan is carried out through selection transactions with the participation of qualified suppliers. Those who are interested in participating in the tender under the purchase agreements must contact the relevant purchasing organization for qualifications. To increase your chances of participating, potential suppliers are advised to apply in advance, regardless of whether certain purchases have been announced or not.

The Japanese government has set out voluntary measures aimed at increasing market access beyond what is set out in the WHO agreement on public procurement.

Benefits of participating in public procurement

Tendering for government contracts in Japan may have a number of advantages:

1. Government agencies often pay higher than the market price for goods and services.
2. There are a huge number of tender announcements annually (more than 1,35 million in 2013).
3. Less risk of non-payment by government agencies.
4. There can be a good PR for your company when you go outside of PS.
5. Many tenders do not differ between large and small companies; there is more equal playing field.¹

Procedures for opening tender transactions. Tender offers are opened at the specified time and place, with the participation of tender participants or their trustees in a notice published in the official newspaper Canpo or in corresponding publications at the local level. If the tender participants or their trustees are not present, the customer's employees who have not participated in the tender transactions must be witnesses. Tender offers submitted by unskilled suppliers or violating tender requirements are found to be invalble and excluded from participating in tender transactions. In this case, the tender participants considered will be notified of refusal.

The procedure for issuing contracts. As a general rule, the contract is given to the participant who submits the tender offer at the lowest price, provided that the price does not exceed the pre-assessed highest price, taking into account such criteria as the actual cost of the product purchased by the purchasing organization. a similar transaction, balance of demand and offer, complexity of purchase, quantity to purchase and delivery time. Such criteria make tenders strong.²

These measures include:

1. Clarifying the procedures for public procurement
2. Open tender procedures in principle
3. Public Procurement Information Dissemination Improved

These measures cover the procurement of goods and services by state ministries and agencies and state-owned organizations. The main elements of these measures include:

1. As for government ministries and departments, the standard minimum purchase amount is SDR 100,000, the same as the one set by whose revised Agreement on Public Procurement (GPA) was entered into force in April 2014. As for government-linked organizations, it was reduced to 100,000 SDR,

¹ <https://www.eu-japan.eu>

² <https://www.jetro.go.jp>

which represents a greater level of openness than specified under the GPA (the standard minimum under this contract is 130,000 SDR).

2. Independent measures (JST-plus measures) have been identified on contracts over 800,000 SDR that are not included in the public procurement agreement. These include providing procurement information (through seminars and the like) ahead of tender transactions, arrangements for potential suppliers to submit requests for materials for market study, and arrangements for granting requests to potential suppliers for comment on specification proposals.³

The statistics are only indicative because they are limited to the procurement of goods and services by national government structures and directly affiliated organizations that exceed the 100,000 SDR limit that collaborated with the annual survey.

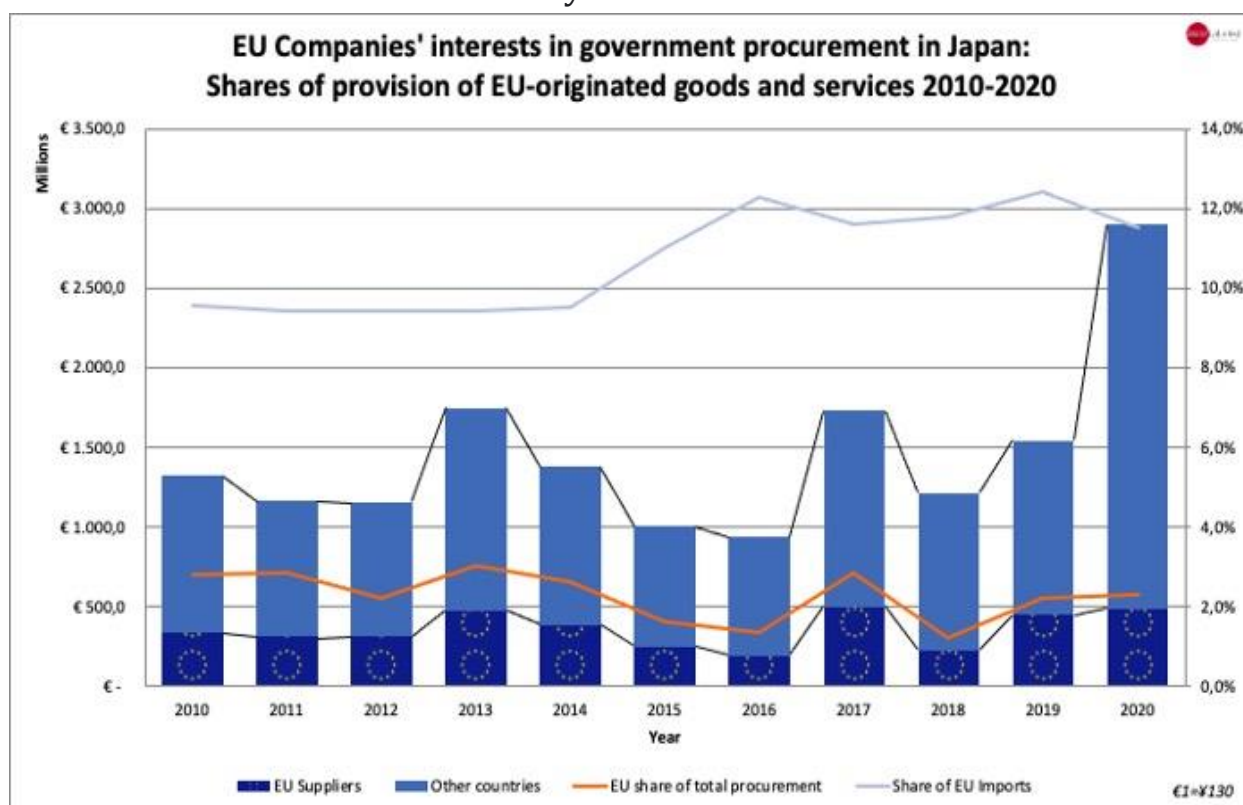


Figure 1. The interests of EU companies in Japanese public procurement: Share of goods and services provided in EU countries between 2010 and 2020⁴

The Japanese government has created a "Challenge on Public Procurement" system to improve transparency, fairness and competitiveness of Japan's public procurement regulations. A supplier can file a complaint with the

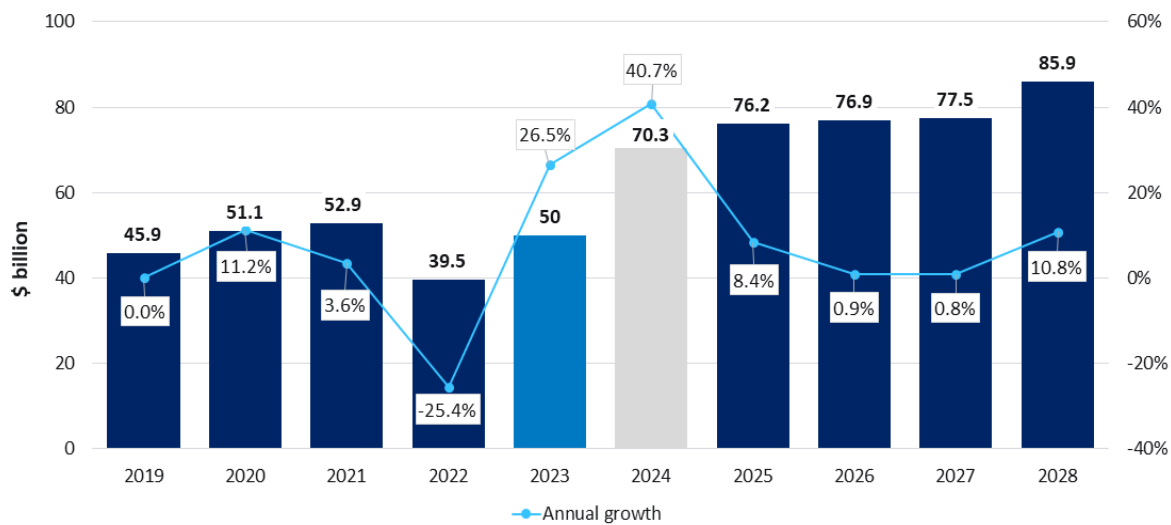
³ <https://www.jetro.go.jp>

⁴ <https://www.eu-japan.eu>



Public Procurement Review Board (GPRB) if it is suspected that any rule of any related measures prescribed by the Public Procurement Agreement (GPA) or the head of the Public Procurement Review Board has been breached. (CGPR). Complaints can be filed for public procurement of goods and services of at least 100 000 SDR (16,000,000 yen) and construction services of at least 4,500,000 SDR (740,000,000 yen). GPRB is an established and objective and independent supervisory body in accordance with the GMA, does not benefit from the results of procurement and its members will be free of external influences during the term of appointment. The general procedure for filing a complaint is below. (Each government agency, in the case of the central government, has established appropriate procedures for its own review system. Relevant information on specific procedures for reviewing complaints can be obtained through the official Kanpo newspaper and its equivalents at the local level. or through other public procurement points⁵

Japan total defense budget (\$ billion) and growth rate (%), 2019–28



GlobalData.

Source: Ministry of Finance, Japan and GlobalData Intelligence

Figure 2. Japan's total defense budget (billions of dollars) and growth rate (%), 2019 – 28

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GlobalData's latest report reads: "Japan's defense market size and trends, budget distribution, rules, basic acquisitions, competitive landscape and forecast, by 2023-28, its defense acquisition costs are expected to grow steadily and reach \$53.8 billion by 2028. Annual growth rate of 5,9% in 2023-28. The

⁵ <https://www.mofa.go.jp>

⁶ <https://asiapacificdefencereporter.com>



growth of the defense budget is due to the significant modernization of defense and continued investment in procurement plans

The Japanese government has allocated an additional budget of \$ 6,3 billion in 2023 for the immediate launch of defense modernization programs, higher than the base budget for 2020 and 2021. the capabilities of the country's armed forces.

In addition to developing the Air Force, Japan also focused on increasing its navy. In 2022, the Japan MoD announced its Defense Development Program with the intention of replacing its fleet of older, less-skilled esmines and escorts with advanced freights such as the Mogami category. He also plans to build new class multi-tasking hidden frigates starting in the 2024 fiscal year. The country is also developing a new class of Taigei (29SS) attack submarines for the Japanese sea self-defense forces.

In conclusion, most government procurement in Japan is made through selection transactions involving qualified suppliers. I can tell you that the procedures for conducting tenders are complex, but there will be a huge number of tenders every year. Procurement is checked by state ministries and agencies and state-owned organizations.

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