Promoting SDGs for Regional Revitalization Finance
— Creating Autonomous Virtuous Cycles Through a Financial Framework —

Issue 1: The creation of autonomous virtuous cycles through public-private partnership SDGs

Issue 2: Designing SDGs finance to ensure autonomous virtuous cycles are realized

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Chairperson of the SDGs for Regional Revitalization Finance Study Group (Cabinet Office)
Key Initiatives in the SDGs Action Plan 2020 (December 2019)

Promoting SDGs for regional revitalization

With a view to the second phase of regional revitalization, it is important to put effort into sustainable urban development from a medium- to long-term perspective, and to continue activities for promoting and popularizing SDGs by local governments as well as providing financial assistance for the creation of model projects. At the same time, there is a need to advance cooperation with various stakeholders including private corporations and financial institutions, in order to create autonomous virtuous cycles towards the resolution of regional issues. Moreover, aim to roll-out registration and certification systems targeted at regional businesses that are engaged in SDGs for Regional Revitalization, and to develop commendation systems for regional financial institutions, etc., as well as methods of evaluation for the initiatives by various stakeholders. (R2 Initial budget: 470 million yen)

Promoting the creation of a shared recognition with customers, by regional financial institutions

Promote the creation of share values, in which regional financial institutions provide advice and finance towards the resolution of the management issues of regional corporations, improve the productivity of such corporations, and ultimately secure a continuous management foundation for themselves. (R1 Supplementary budget: 20 million yen)

Promoting sustainable tourism

- To promote faithful compliance with the matters agreed upon at the G20 Tourism Ministers’ Meeting in 2019, a follow-up survey is conducted on the status of implementation of measures agreed upon by each country, while a symposium is held to present those results, and efforts are made to popularize and promote effective and sustainable tourism.
- Based on the “Towards a Sustainable Tourism-Oriented Country” approved by the Sustainable Tourism Promotion Headquarters, strengthen initiatives towards the realization of sustainable tourism through the development and popularization of the Japanese version of sustainable tourism indicators that are in line with international standards, which contribute to effective tourism management, and through the promotion of measures against congestion/poor manners, etc. that utilize model projects and other means.

Promoting village networks

In “village networks” (small hubs) comprising a core village and multiple neighbouring villages, provide support for initiatives that underpin everyday life as well as activities that create livelihoods through collaboration between diverse entities that support everyday life. (R2 Initial budget: 400 million yen)

Promoting wide-area collaboration

Promote diverse area-wide collaboration, beginning with initiatives in cooperative central cities that are hubs for maintaining dynamic social economy even in a serious situation of population decline (R2 Initial budget: 100 million yen)

Revitalization of regions including rural districts

Comprehensive support to develop rural districts

Provide comprehensive support for initiatives that contribute to securing places of employment for regional residents, including farmers, through the development of activity plans based on creative efforts of the regions, as well as initiatives that contribute to increasing incomes and expanding employment in rural districts, thereby promoting the revitalization of rural districts. (R2 Initial budget: 9.81 billion yen)

Development of terrace paddy areas

Put in place comprehensive support measures for the conservation and development of terrace paddy areas, from the perspectives of industry, environment, landscape, and culture.

Promoting Globally Important Agricultural Heritage Sites in Japan

Promote initiatives to raise awareness of the Globally Important Agricultural Heritage Systems/Agricultural Heritage Sites in Japan, which accredit regions (agricultural, forestry, fishery industry systems) that operate traditional agricultural, forestry and fishery industries that have been passed on for many generations while adapting to society and the environment.

Promoting a national movement to increase consumption by discovering the appeal of food

Promote “Food Action Nippon,” a national movement that seeks to increase the consumption of domestically produced agricultural, forestry and fishery products through the united efforts of producers, food businesses, and consumers across the country. Support initiatives such as events to communicate the appeal of domestic produce and agriculture to consumers, local specialty contests, etc. (R2 Initial budget: 120 million yen)

Protection and succession of Japanese food culture

Provide comprehensive support for the realization of diverse and rich agricultural industry as well as beautiful and dynamic rural districts, and initiatives towards the maintenance and succession of regional resources such as farmlands by the regional community. (R2 Initial budget: 44.2 billion yen)
Promoting SDGs for regional revitalization

With a view to the second phase of regional revitalization, it is important to put effort into sustainable urban development from a medium- to long-term perspective, and to continue activities for promoting and popularizing SDGs by local governments as well as providing financial assistance for the creation of model projects. At the same time, there is a need to advance cooperation with various stakeholders including private corporations and financial institutions, in order to create autonomous virtuous cycles towards the resolution of regional issues.

Moreover, aim to roll-out registration and certification systems targeted at regional businesses that are engaged in SDGs for Regional Revitalization, and to develop commendation systems for regional financial institutions, etc. as well as methods of evaluation for the initiatives by various stakeholders.
### List of the cities selected as SDGs FutureCity / Model Project

<table>
<thead>
<tr>
<th>No.</th>
<th>City / Town</th>
<th>Prefecture</th>
<th>Year</th>
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<tr>
<td>1</td>
<td>Hokkaido</td>
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<td>2</td>
<td>City of Sapporo, Hokkaido</td>
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<td>36</td>
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<td>38</td>
<td>Sakai City, Osaka Pref.</td>
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<td>Ikoma City, Nara Pref.</td>
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<td>Sango Town, Nara Pref.</td>
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<td>Koryo Town, Nara Pref.</td>
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<td>Totsukawa Village, Nara Pref.</td>
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<td>Chizu Town, Tottori Pref.</td>
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<td>46</td>
<td>Okayama City, Okayama Pref.</td>
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<td>47</td>
<td>Maniwa City, Okayama Pref.</td>
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<td>48</td>
<td>Nishiawakuma Village, Okayama Pref.</td>
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<td>49</td>
<td>Hiroshima Prefecture</td>
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<td>Ube City, Yamaguchi Pref.</td>
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<td>Kamikatsu Town, Tokushima Pref.</td>
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<td>City of Kitakyushu, Fukuoka Pref.</td>
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<td>Iki City, Nagasaki Pref.</td>
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<td>Tokunoshima Town, Kagoshima Pref.</td>
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<td>60</td>
<td>Onna Village, Okinawa Pref.</td>
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※in order of Area / Municipality code
**Proposals for Autonomous Virtuous Cycles in SDGs FutureCity (Examples)**

<table>
<thead>
<tr>
<th>City</th>
<th>Proposal</th>
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<tbody>
<tr>
<td>Toyama City (Toyama Pref.)</td>
<td>Deepening of compact cities by fusing the creation of LRT networks with autonomous and decentralized energy management</td>
</tr>
<tr>
<td>Maniwa City (Okayama Pref.)</td>
<td>Expanding demand for forestry and timber industries (woody biomass power generation, CLT, etc.) that make use of regional resources, developing the agricultural industry, promoting the tourism industry</td>
</tr>
<tr>
<td>Iki City (Nagasaki Pref.)</td>
<td>“Smart” agricultural industry through the implementation of IoT and AI, and introduction of advanced technologies into civil society, and through that, improvements in agricultural profitability and increase in the number of people returning or moving to the regions</td>
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<tr>
<td>Mitsuke City (Niigata Pref.)</td>
<td>Improving the living environments of citizens by advancing the development of a healthy and compact city</td>
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<tr>
<td>Nishiawakura Village (Okayama Pref.)</td>
<td>Involving investors together with the relevant population through forestry trust business, in order to improve the efficiency of the utilization of regional resources, and enhance the sustainability of the region</td>
</tr>
<tr>
<td>Osaki Town (Kagoshima Pref.)</td>
<td>Advancing the recycling industry through impact assessment of the recycling business, and developing human resources with a view to resolving issues such as shortage of workers</td>
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<tr>
<td>Onna Village (Okinawa Pref.)</td>
<td>Conservation of natural tourism resources (corals) and enhancing the added value of the tourism industry, in order to build a system for returning profits to villagers</td>
</tr>
</tbody>
</table>
Design Elements for the Creation of Autonomous Virtuous Cycles (Examples)

**Economy**
- Local currency
- Tourism
- Agriculture, forestry and fishery
- Recycling
- AI/IoT
- Commercial facilities
- Sharing economy
- Support for start-ups
- Cashless
- Business matching

**Society**
- Empowerment of women
- Transportation infrastructure
- Medical care and welfare
- Community
- Culture, traditions, history
- Public involvement
- Healthcare
- Education
- Food loss
- Human resource development
- Empowerment of the elderly and disabled
- Vacant houses

**Environment**
- Biomass power generation
- Disaster prevention and mitigation
- Garbage resource recovery
- Energy-saving buildings
- Forestry trust
- District heat supply
- Demand response
- Renewable energy/Regional energy
- Hydrogen station
- Micro/Small hydro power
- Community bus

**Examples**
-Reduce, reuse, recycle

**Creation of autonomous virtuous cycles through comprehensive initiatives towards the achievement of SDGs**

(Reference: SDGs FutureCity Proposals)
Building of Autonomous Virtuous Cycles by Regional Corporations/Financial Institutions (Cabinet Office, FY2018)

SDGs initiatives by regional corporations
(Cash flow)

Local governments

SDGs for Regional Revitalization/ESG Finance Study Group (March 2019)

Listed corporations

Autonomous virtuous cycles
(Circulation and reinvestment of funds)

Financial support from financial institutions that gives consideration to SDGs

Regional financial institutions

Major banks, securities, institutional investments, etc.

Shuzo Murakami, Institute for Building Environment and Energy Conservation
SDGs for Regional Revitalization Framework
Towards the Creation of Autonomous Virtuous Cycles (Cabinet Office, FY2018)

- Local governments
  - Public-private partnership
  - Proposal
  - Registration/Certification

- Regional corporations
  - Investment and lending
  - Monitoring Follow-up

- Regional financial institutions
  - Investment and lending
  - Commendation

- Major financial institutions

Registration/Certification and commendation of SDGs for regional revitalization by national and local governments

Greater openness and transparency around SDG-related corporate activities
Issues with the Registration and Certification/Commendation/Evaluation System (Cabinet Office, FY2019)

Issue 1
Registration/Certification system for regional corporations

Issue 2
Commendation system for regional financial institutions

Issue 3
Method for evaluating performance of SDGs initiatives for certification/commendation

(SDGs for Regional Revitalization Finance Study Group (November 2019))
SDGs for Regional Revitalization Finance Framework: Linking of Three Issues

**Issue 1**
Registration/Certification system for regional corporations

- **National government**
  - Guidelines/Confirmation
  - Application

- **Local governments**
  - Registration/Certification

- **Regional corporations**
  - Collaboration

**Issue 2**
Commendation system for regional financial institutions

- **National government**
  - Nomination
  - Evaluation (1)
  - Evaluation (2)

- **Local governments**
  - Application

- **Regional financial institutions**
  - Collaboration
  - Screening/Commendation

**Issue 3**
Review of method for evaluating the performance of SDGs initiatives by third-party

- 1: Neutrality of evaluation bodies
- 2: Objectiveness and expert nature of evaluation criteria

(SDGs for Regional Revitalization Finance Study Group (November 2019))
Incorporate initiatives related to the 21 items of regional revitalization into the goals/targets, and establish an evaluation system based on indicators.

Initiatives by regional corporations and regional financial institutions based on this framework.

Evaluation of these initiatives by third-party organization with a view to certification and commendation.
Issue 1: Overview of Registration/Certification System for Regional Corporations

Level 1: Registration

Level 2: Certification α

Level 3: Certification β

Requirements

- Regional businesses that have conducted self-evaluation on SDGs initiatives
- Regional corporations that have fulfilled a certain evaluation criteria
- Regional corporations that are engaged in particularly outstanding initiatives

Objectives

- Expand the range of regional businesses engaged in SDGs initiatives by broadly recruiting for registrants
- Establish certification requirements, and deepen initiatives for all regional corporations as a whole
- By introducing outstanding examples, provide role models for other regional corporations

- Streamline procedures related to application
- Spreading awareness of merits through certification

Evaluation by third-party organization
Incentives for Promoting Participation in Registration/Certification System

1. **Enhancing the corporate brand**
   - Through certification, spread awareness to customers and regional financial institutions that the company is an outstanding company.

2. **Enhancing non-financial value**
   - Merits in the aspects of human resource recruitment and development, through the enhancement of corporate brand etc.

3. **Incentives provided by local governments**
   - Additional points in competitive bidding, granting of subsidies, etc.

4. **Regional business circle-led initiatives**
   - Revitalization of loan consultations with financial institutions
   - Increase in opportunities to access skill improvement seminars, etc.
   - Participation in regional corporate membership system for SDGs initiatives, etc.
   - Expansion of business opportunities

1. **Recognition of the importance of finance**
   - Further enhance the importance of investment and loans among regional corporations through commendation
   - Provide incentives to financial institutions to facilitate more proactive lending and investment and provision of services

2. **Promote collaboration between local governments and regional financial institutions**

3. **Expand and popularize financial products and services related to SDGs**

4. **Expand investment and lending**
   - Promote the injection of funds from institutional investors/major banks/securities, etc. to regional financial institutions
Incentives for Promoting Participation of Regional Financial Institutions

1. **PR effect**
   - Raise awareness of the institution’s name among potential new customers through new channels, thereby contributing to the expansion of business opportunities

2. **Improve creditworthiness**
   - Raise awareness of the fact that the institution is an outstanding one among existing customers, thereby expanding business opportunities
   - Advance the sharing of values with new customers by engaging in SDGs for regional revitalization, making it easier to resonate with customers

3. **Direct effects of subsidies, etc.**
   - Financial merits such as subsidies, provision of interest subsidies, etc. by local governments, etc.
   - Enhance various non-financial values brought about by SDGs initiatives

4. **Enhance staff motivation**
   - Improve motivation to staff through SDGs initiatives and improvements to corporate image

Source: Surveys and interviews conducted on regional financial institutions
1. Reorganization of policy goals for regional revitalization (21 items) into the SDGs framework
   - Reorganize activity goals presented in the Act on Revitalization of Cities, People and Careers, etc. under the SDGs framework (goals, targets)
   - Establish indicators for evaluating performance (indicators)

2. Strengthen trust by securing third-party objectivity and professionalism
   - Vital to have the broad understanding and support of public and private sectors towards the evaluation system in order to ensure the success of the certification and commendation system
   - With regard to performance evaluation items and evaluation methods, it is important for all stakeholders including corporations, financial institutions, and local governments to share a common recognition

3. Perspectives of financial institutions
   - For financial institutions, it is necessary for the investment targets to undergo and pass a highly reliable quantitative evaluation
SDGs for Regional Revitalization Finance Framework
Towards the Revitalization of Regional Corporations (Cabinet Office, FY2019)

Issue 1
Registration/Certification system for regional corporations

National government
Guidelines/Confirmation
Local governments
Application
Regional corporations
Registration/Certification α

Issue 2
Commendation system for regional financial institutions

National government
Nomination
Local governments
Application
Regional financial institutions
Screening/Commendation

Issue 3
Review of method for evaluating the performance of SDGs initiatives by third-party

- 1: Neutrality of evaluation bodies
- 2: Objectiveness and expert nature of evaluation criteria

Third-party organization
Professional/Objective evaluation
Evaluation (1)
Certification β
Evaluation (2)