

## 2 Debt of Incorporated Administrative Agencies, etc.

### (1) Debt of Incorporated Administrative Agencies, etc.

The debt of “Incorporated Administrative Agencies, etc.” includes government-guaranteed debt, borrowings from the General Account, the Fiscal Loan Fund, and other Special Accounts. Their debt also includes FILP Agency Bonds, etc. as means of financing from the private sector.

“Incorporated Administrative Agencies, etc.” refer to Incorporated Administrative Agencies (☞①), public corporations (☞②), and authorized organizations (☞③). All of these are corporations that are engaged in public policy implementation under governmental supervision.

#### A. Financing from the central government

##### a. Borrowing from Fiscal Loan Fund

Some projects of “Incorporated Administrative Agencies, etc.” are financed by FILP to flexibly cope with national demand or socioeconomic changes. In line with FILP reform efforts, FILP-target projects are further focused and made more efficient. The organizations that utilize FILP are called FILP Agencies.

##### b. Other Borrowings from the central government

There are also interest-free loans from the General Account and Special Accounts to “Incorporated Administrative Agencies, etc.”

#### B. Financing from the private sector

As a result of the FILP reform, FILP Agency Bonds, which are not guaranteed by the government and are publicly offered, have been introduced as a new financial method for FILP Agencies to raise funds independently. It is thought that FILP Agencies promote information disclosure and improve their business operational efficiency by FILP Agency Bonds issuing. Some kinds of “Incorporated Administrative Agencies, etc.” such as finance corporations, etc. need Diet authorization to issue bonds. Furthermore, an approval from the Competent Minister is required in general for a FILP Agency to issue bonds or make long-term borrowings. The Competent Minister can give their approval only after consulting with the Minister of Finance.

☞①The term generally refers to corporate bodies established pursuant to stipulations in Article 2 Paragraph 1 of the Act on General Rules for Incorporated Administrative Agencies: “A juridical person, incorporated pursuant to the provisions of this Act and the relevant Individual Law as an Agency Managed under the Medium-term Objectives, a National Research and Development Agency or an Agency Engaged in Administrative Execution, for the purpose of effectively and efficiently conducting, from among the affairs and businesses that need to be implemented securely from a public viewpoint, such as the stability of the lives of the citizenry, society and the economy, and that do not need to be implemented directly by the State itself, those affairs that may not necessarily be implemented properly if entrusted to private entities or that need to be conducted monopolistically by a single entity.” Here, “the relevant Individual Law” refers to an act stipulating the name, objectives, range of activities, etc. of each incorporated Administrative Agency.

☞②The term generally refers to “corporate bodies directly established by acts or corporate bodies established through special measures required by special acts as deemed necessary (excluding Incorporated Administrative Agencies)” as stipulated in Article 4 Item 9 of the Ministry of Internal Affairs and Communications Act of Incorporation. In this case, “established through special measures” refers to “establishment conducted by government appointed commissioners.”

☞③The term generally refers to “corporate bodies established independently by an interested party from the private sector, the establishment of which requires approval by the Competent Minister, based on the special acts due to the public nature of their activities” (Source: “Legal Terms Dictionary,” Legislative Terminology Research Forum Edition).

### (2) Financial Conditions of Incorporated Administrative Agencies, etc.

“Incorporated Administrative Agencies, etc.” disclose information on their financial conditions in various forms.

Incorporated Administrative Agencies compile financial statements, which are based on corporate accounting principles as a general rule, in accordance with the Act on General Rules for Incorporated Administrative Agencies. The financial statements are audited by an auditor and an accounting auditor and are approved by the Competent Ministers before their disclosure. Government supervision of Incorporated Administrative Agencies has shifted its focus from ex-ante control to ex-post check in order to strengthen their independence. The financial statements of Incorporated Administrative Agencies contribute not only to better understanding of how these agencies conduct businesses but also to appropriate evaluations of their business results.

Each public corporation and authorized organization also compiles financial statements in accordance with the Act under which it was established, receives approval from the Competent Minister, and discloses this information. Each institution compiles and discloses an "administrative cost analysis statement", etc., based on corporate accounting principles to fulfill its accountability to explain future burden on taxpayers.

The financial statements of major “Incorporated Administrative Agencies, etc.” in which the government has invested are attached to the budget submitted to the Diet as reference materials as stipulated in Article 28 of the Public Finance Act.