

3 Government-Guaranteed Debt

Incorporated administrative agencies run businesses for public purposes as government agencies. The government guarantees their debt within the maximum amount provided in the budget to make it easier for them to raise funds. As is the case with JGBs, the government works to ensure smooth and stable fundraising and to make sure that the given terms and conditions are favorable and appropriate as government-guaranteed debt.

(1) Legal Ground of Government Guarantee

In principle, government guarantees for corporate debt are prohibited under Article 3 of the Act on Restrictions on Financial Assistance by Government to Corporations. Exceptions are only made by specific acts under cases where the following conditions are satisfied;

- i) Conducting businesses for highly public purposes as agencies for the government.
- ii) Their financial accounting and administration are under governmental supervision, and thus the use of guaranteed-debt borrowing and repayment schedules are thoroughly monitored.

When guarantees are given, appropriate supervisions including checking financial condition are exercised at the ministries and agencies that hold jurisdiction over the relevant agencies.

(2) Features of Government-Guaranteed Debt

Government-guaranteed debt is broadly divided into Government-Guaranteed Bonds and Borrowings. Government-Guaranteed Bonds are divided into domestic and foreign bonds. Raising funds through Government-Guaranteed Borrowings generally has the advantage of flexibility in meeting temporary demands for funds, but also has the defect in liquidity of the secondary market as compared to Government-Guaranteed Bonds.

(3) Treatment in the Budget and Examination Process

A. Treatment in the budget

a. The maximum amount of government guarantee

There are cases in which the government is permitted to guarantee debt based on specific acts, as mentioned above. These acts also provide that the government must receive Diet approval for the maximum amount of government guarantee. Therefore, the maximum amount for individual corporations is provided under the general provisions of the General Account budget, which is subjected to Diet approval in each fiscal year.

b. Provision in the FILP Plan

The maximum amount of government-guaranteed debt is specified in the budget as stated above. The government guarantees for those agencies that are eligible for FILP lending or specified by cabinet orders, when the guarantee term is 5 years or longer, shall be reported in the FILP Plan based on Article 5, Paragraph 2, Item 3 of the Act for the Special Measures on the Long-Term Management of the Fiscal Loan Fund.

Ref: See the MOF website.
“FILP” (FILP Plan of each
fiscal year)

B. Examination of Government-Guaranteed Bonds and Borrowings

Every fiscal year, the MOF plans the issuance amount of Government-Guaranteed Bonds and the maturity structure of the following fiscal year taking account of market trends, and announces them together with the JGB Issuance Plan (For FY2018, the scheduled issuances are tabulated below.). Furthermore, whenever an agency raises funds through issuance of Government-Guaranteed Bonds or Borrowings, the MOF examines whether or not interest rates and prices in each case are appropriate for the guaranteed debt.

Fig.2-33 Breakdown of the Planned Issuance Amount for FY2018 of Government-Guaranteed Bonds

(billion yen)

	FY2017 (Initial)	FY2017 (Revised)		FY2018 (Initial)			Main Issuer
	(a)	(b)	(b) - (a)	(c)	(c) - (a)	(c) - (b)	
40-year	70.0	70.0	—	100.0	30.0	30.0	Japan Expressway Holding and Debt Repayment Agency (JEHDRA)
30-year	240.0	240.0	—	300.0	60.0	60.0	JEHDRA
20-year	400.0	400.0	—	480.0	80.0	80.0	JEHDRA
10-year	1,480.4	1,480.4	—	905.8	-574.6	-574.6	JEHDRA, Japan Finance Organization for Municipalities (JFM), etc.
9-year	—	—	—	13.0	13.0	13.0	Private Finance Initiative Promotion Corporation of Japan
6-year	215.0	215.0	—	355.0	140.0	140.0	Japan Finance Corporation, JFM, etc.
5-year	71.4	71.4	—	—	-71.4	-71.4	
4-year	610.0	630.0	20.0	550.0	-60.0	-80.0	Deposit Insurance Corporation of Japan (DICJ), Nuclear Damage Compensation and Decommissioning Facilitation Corporation
3-year	100.0	100.0	—	—	-100.0	-100.0	
2-year	1,000.0	1,000.0	—	750.0	-250.0	-250.0	DICJ, Banks' Shareholdings Purchase Corporation, etc.
Subtotal	4,186.8	4,206.8	20.0	3,453.8	-733.0	-753.0	
Foreign Bonds	2,026.0	2,026.0	—	1,946.0	-80.0	-80.0	Japan Bank for International Cooperation, Development Bank of Japan Inc., etc
Total	6,212.8	6,232.8	20.0	5,399.8	-813.0	-833.0	

Note 1: Apart from the plan shown above, Japan Finance Corporation (JFC) and Development Bank of Japan Inc. (DBJ) are planning further issuances (maturity less than 5 years) depending on the progress of operations. Maximum amounts of these further issuances are 200 billion yen for JFC and 100 billion yen for DBJ.

Note 2: The plan may be modified during FY2018.

Fig.2-34 Breakdown of the Planned Issuance Amount for FY2018 of Government-Guaranteed Bonds by Issuers and Maturities

(billion yen)

Issuer	40-year	30-year	20-year	10-year	9-year	6-year	4-year	2-year	Subtotal	Foreign Bonds	Total
Japan Finance Corporation				70.0		115.0			185.0		185.0
Japan Bank for International Cooperation									–	1,680.0	1,680.0
Japan International Cooperation Agency									–	66.0	66.0
Japan Expressway Holding and Debt Repayment Agency	100.0	300.0	480.0	365.0					1,245.0		1,245.0
New Kansai International Airport Co.,Ltd.				20.1					20.1		20.1
Development Bank of Japan Inc.				60.0		90.0			150.0	200.0	350.0
Deposit Insurance Corporation of Japan							400.0	200.0	600.0		600.0
Banks' Shareholdings Purchase Corporation								400.0	400.0		400.0
Nuclear Damage Compensation and Decommissioning Facilitation Corporation							150.0	150.0	300.0		300.0
Private Finance Initiative Promotion Corporation of Japan					13.0				13.0		13.0
Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development				62.9					62.9		62.9
Fund Corporation for the Overseas Development of Japan's ICT and Postal Services Inc.				19.0					19.0		19.0
Organization for Promoting Urban Development				28.1					28.1		28.1
Central Japan International Airport Co.,Ltd.				20.7		10.0			30.7		30.7
Japan Finance Organization for Municipalities				260.0		140.0			400.0		400.0
Total	100.0	300.0	480.0	905.8	13.0	355.0	550.0	750.0	3,453.8	1,946.0	5,399.8

Note 1: Apart from the plan shown above, Japan Finance Corporation (JFC) and Development Bank of Japan Inc. (DBJ) are planning further issuances (maturity less than 5 years) depending on the progress of operations. Maximum amounts of these further issuances are 200 billion yen for JFC and 100 billion yen for DBJ.

Note 2: The plan may be modified during FY2018.