

## 2 Borrowings

Borrowings include two categories, one is “Borrowings” to meet annual government expenditure demand in a narrow sense and the other is “Temporary Borrowings” to cover temporary cash shortage. In fiscal-related legislations, the term “Borrowings” refers to the borrowings in a narrow sense, in principle.

Borrowings in a narrow sense basically mature beyond the fiscal year for their provision, while Temporary Borrowings must be redeemed within the fiscal year for their provision. Temporary Borrowings and borrowings redeemed within one year are called “short-term borrowings,” while other borrowings in a narrow sense are referred to as “long-term borrowings.”

### (1) Legal Grounds of Borrowings

The General Account and each special account carry out borrowings within the limit of the amount approved by the Diet pursuant to the “Public Finance Act” and the “Act on Special Accounts.”

### (2) Status of Borrowings in the Budget

The maximum amount that each special account can “borrow” or “temporarily borrow” for every fiscal year must be provided under the general budget provisions, which is subject to Diet approval each fiscal year.

### (3) Source of Borrowings

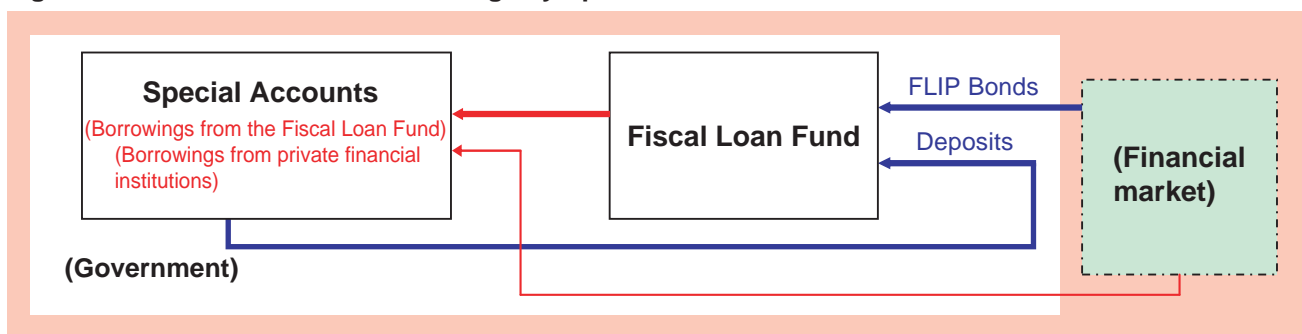
Borrowings of each special account are made from the Fiscal Loan Fund and private financial institutions. At the end of March 2021, the General Account and 6 special accounts had outstanding borrowings from the Fiscal Loan Fund, and 3 special accounts had outstanding borrowings from private financial institutions.

While borrowings from private financial institutions constitute part of the government debt to the private sector, borrowings from the Fiscal Loan Fund are the government debt within the government (☞).

☞ Ref: Chapter 1 1(1) B “FILP Bonds” (P41)  
See the MOF website. “FILP” (Explanation of Framework)

☞ The Fiscal Loan Fund issues FILP Bonds or uses deposits from special accounts, etc., in order to make loans to these special accounts.

Fig. 2-33 Flow Related to the Borrowings by Special Accounts from the Fiscal Loan Fund



## (4) Borrowings from the Private Sector

The Special Account for Allotment of Local Allocation Tax and Local Transfer Tax (the Special Account for Local Allocation Tax), the Special Account for the National Forest Debt Management, and the Special Account for Energy Policy carry out borrowings from private financial institutions by public auctions.

### A. Special Account for Local Allocation Tax

The Special Account for Local Allocation Tax had borrowed loans to finance local government budget deficits and used them for part of the Local Allocation Tax for the relevant fiscal year. Since July 2000, the Special Account has been borrowing partly from private financial institutions. However, from FY2007, it decided to stop borrowing additional funds. It now borrows only to repay outstanding debt.

Borrowings by the Special Account had been designed to cover the forest environment transfer tax during a transitional period to the creation of the forest environment transfer tax. In FY2020, however, the government decided to use the reserves for interest rate volatility at the Japan Finance Organization for Municipalities, instead of the borrowings by the Special Account for Local Allocation Tax, for the coverage and to take in no new borrowings. The borrowings regarding the forest environment transfer tax were repaid in FY2020.

### B. Special Account for the National Forest Debt Management


The Special Account for National Forest Service has undergone certain reforms in FY1998 enforcing the “Special Measure Act for the Reform of the National Forest Service.” In that fiscal year, the Special Account switched its borrowing source from the Fiscal Loan Fund to private financial institutions.

To ensure that such borrowings are made in a fair, equitable and transparent manner, in FY2003 the Special Account switched from the previous practice of using syndicated loans to obtaining loans by public auctions.

Pursuant to the “Law concerning Partial Revision, Etc. of Laws, Etc. including the Law on Management and Operation of the National Forests to Enhance the Public Interest Functions of National Forests” which came into effect in April 2013, the Special Account for National Forest Service was abolished, whereupon obligations relating to borrowings attributed to the Account were transferred to the Special Account for the National Forest Debt Management.

Borrowings of the Special Account for the National Forest Debt Management from private financial institutions are to be used to repay the outstanding debt. No new additional borrowings are being made.

### C. Special Account for Energy Policy

Japan National Oil Corporation (JNOC) was abolished in accordance with “Reorganization and Rationalization Plan for Special Public Institutions.” The state oil reserves that had until that point been taken care of by JNOC came under the direct control and management of the government in the form of the Special Accounts for Petroleum and the More Sophisticated Structure of Demand and Supply of Energy Policies (the Special Account for Petroleum) (  )

①). In line with the transfer, the Special Account for Petroleum began to borrow to finance its costs and expenses related to the construction of stockpiling facilities.

Pursuant to the “Act on Special Accounts” that took effect in April 2007, the Special Account for Petroleum was abolished, whereupon the rights and obligations attributed to the Account were transferred to the Special Account for Energy Policy.

Borrowings of the Special Account for Energy Policy from private financial institutions are to be used to repay the outstanding debt. No new additional borrowings are being made.

The government has borrowed funds in the Nuclear Damage Liability Facilitation Account since February 2012 to cover the redemption of JGBs granted to the Nuclear Damage Compensation and Decommissioning Facilitation Corporation (☞②).

## (5) Borrowing through Public Auction on Private-sector Borrowings

For borrowings from private sectors, the government employs the interest rate competitive bidding or noncompetitive bidding process (only for the Special Account for Local Allocation Tax) in which the government will accept biddings that offer lower interest rates until the borrowing amount reaches the scheduled fundraising amount. Bidding participants are private financial institutions, including major city banks and regional banks. A total of 117 private financial institutions participate in the bidding program as of March 31, 2021.

☞① State petroleum reserves came under direct state supervision in April 2003, and the responsibility for the stockpiling facilities was transferred in February 2004.

☞② The Nuclear Damage Compensation Facilitation Corporation was reorganized into the Nuclear Damage Compensation and Decommissioning Facilitation Corporation as a revision to the Nuclear Damage Compensation Facilitation Corporation Act took effect in August 2014.