

2 Debt of Incorporated Administrative Agencies, etc.

(1) Type of 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 as a means of financing from the central government. Their debt also includes FILP Agency Bonds, etc., as means of financing from the private sector.

“Incorporated Administrative Agencies, etc.” refers 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 government supervision.

A. Financing from the central government

a. Borrowing from the 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 issuing FILP Agency Bonds. Some kinds of “Incorporated Administrative Agencies, etc.,” such as the Japan Finance Corporation (JFC) as part of the government-affiliated institutions budget, need Diet authorization to issue bonds. Furthermore, 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 approval only after consulting with the Minister of Finance.

① Incorporated Administrative Agencies generally refers to legal entities established pursuant to the stipulations of Article 2, paragraph (1) of the “Act on General Rules for Incorporated Administrative Agencies”: “A corporation, incorporated pursuant to the provisions of this Act and the relevant Individual Act 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 processes and services that need to be implemented securely from a public perspective, such as the stability of the lives of the people, 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 “Individual Act” refers to a law that provides for matters concerning the name, purpose, and scope of operations, etc. of the respective incorporated administrative agencies.

② Public corporations generally refers to “the corporations established directly by law, or the corporations required by a special law to be established by a special procedure (excluding Incorporated Administrative Agencies)” as stipulated in Article 4, paragraph (1), item (viii) of the “Act for Establishment of the Ministry of Internal Affairs and Communications.” In this case, “established by a special procedure” refers to establishment conducted by government-appointed commissioners.

③ Authorized organizations generally refers to “legal entities established independently by an interested party in the private sector, the establishment of which requires approval by the Competent Minister, based on the special laws due to the public nature of their activities” (Source: “Legal Terms Dictionary,” edited by the Legislative Terminology Research Forum).

(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 based on corporate accounting principles as a general rule, pursuant to the provisions of an order of the competent ministry, 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 Minister before disclosure (☞). Government supervision of Incorporated Administrative Agencies prioritizes ex-post checks over ex-ante control in order to strengthen their independence and autonomy. The financial statements of Incorporated Administrative Agencies contribute not only to a better understanding of how these agencies conduct operations but also to appropriate evaluations of their operational 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 the 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.”

☞ Auditing by an accounting auditor is not required for an Incorporated Administrative Agency whose operational size, including its capital amount, fails to reach the standards provided by Cabinet Order (Article 39, paragraph (1) of the “Act on General Rules for Incorporated Administrative Agencies”).