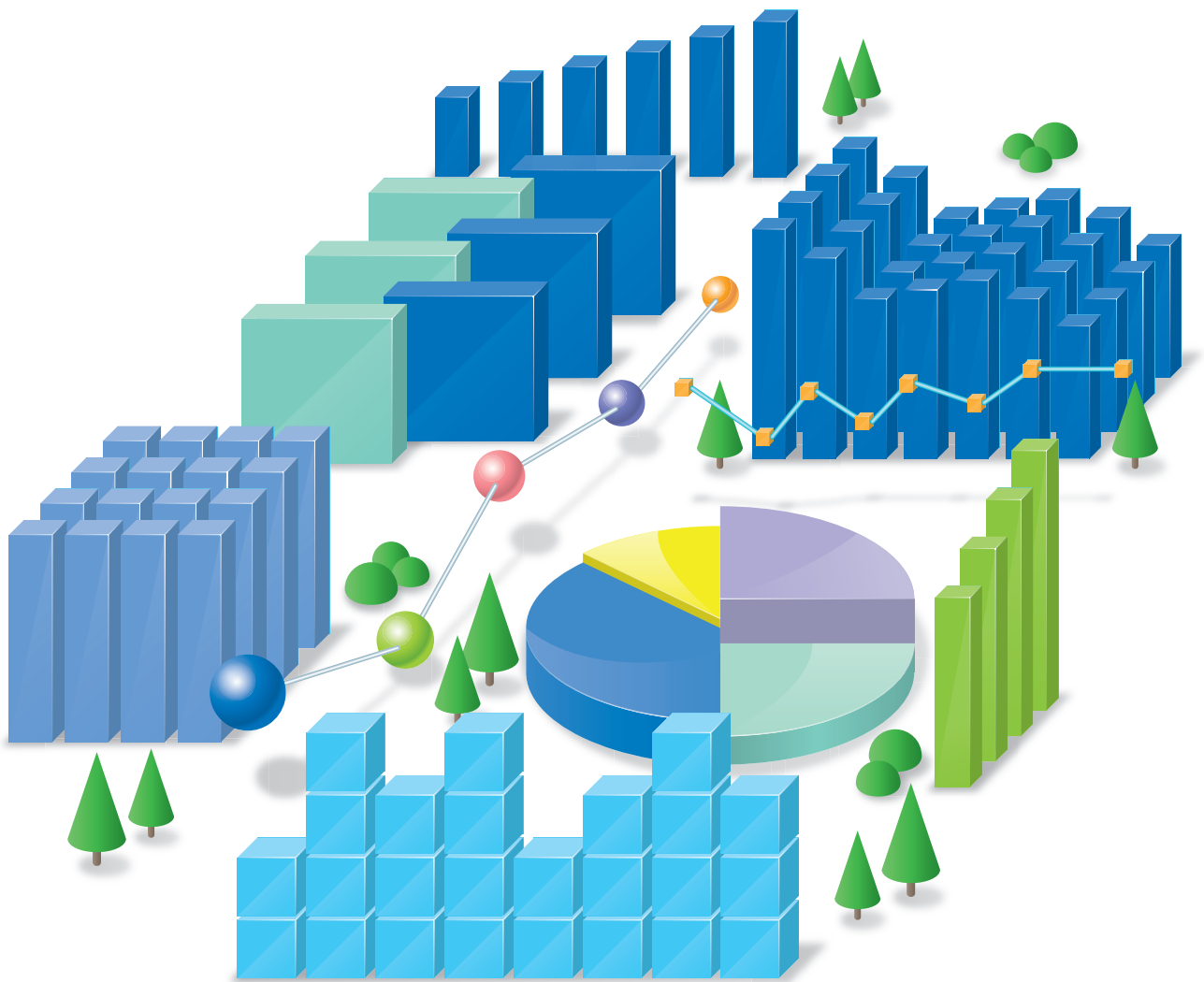


FY 2007 Settlement

# White Paper on Local Public Finance, 2009

– Illustrated –



Ministry of Internal Affairs  
and Communications

## The Role of Local Public Finance

1

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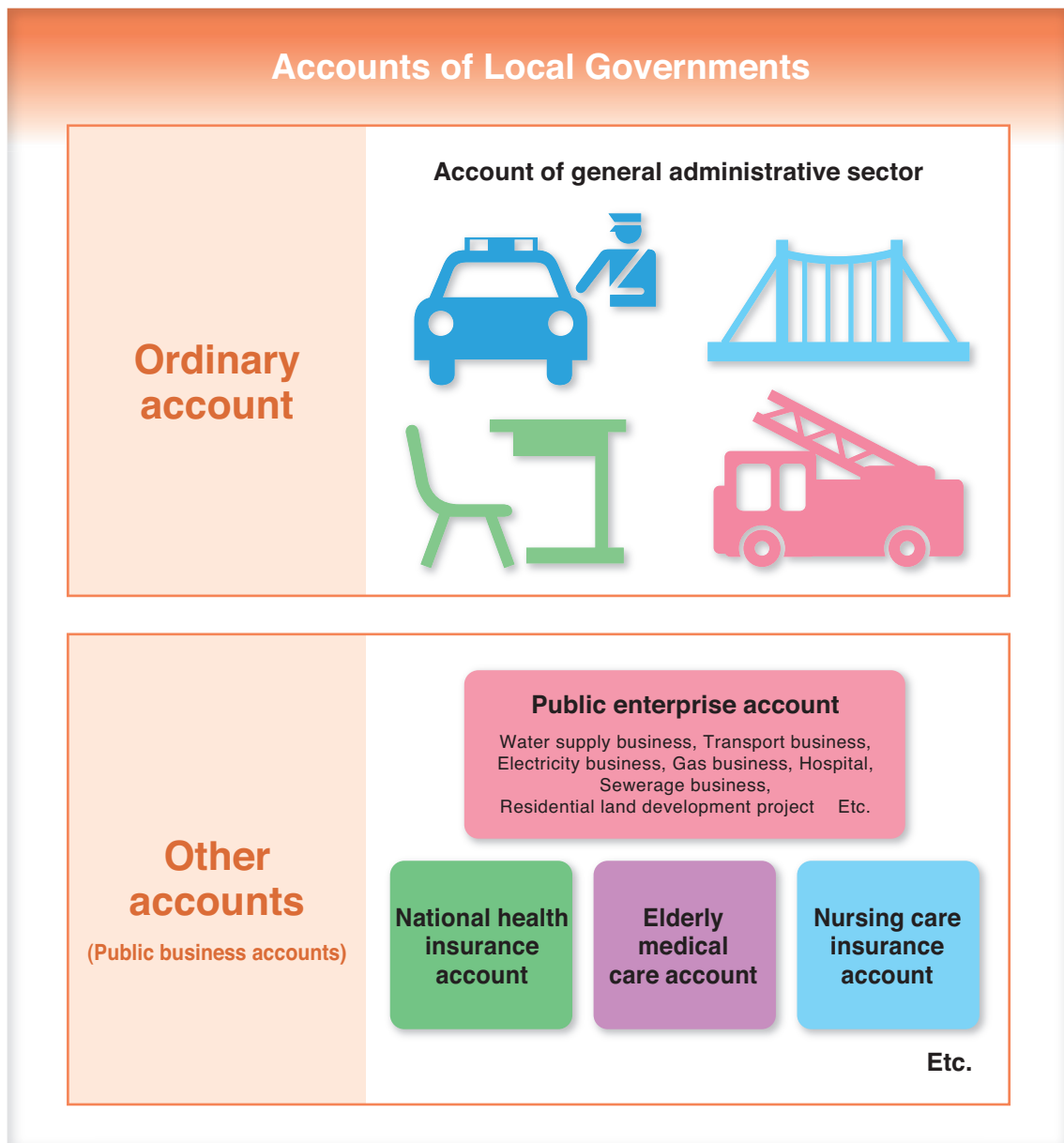
# The Role of Local Public Finance

Prefectures and municipalities (cities, towns, and villages) are principal actors in various administrative areas, including school education, welfare and public health, police and fire services, and the construction of such public works as roads and sewerage systems. They play a major role in national life.

This brochure will introduce the state of local public finance, which is an assemblage of the finances of individual local governments, with particular focus on the state of settlements for fiscal 2007 and efforts toward financial soundness of the local public entities centered on the ordinary account.

## Classification of the Accounting of Local Governments Applied in the Settlement Account Statistics

Although the accounts of local governments are divided into general accounts and special accounts, the account classification of each local government is not uniform. Therefore, we have adopted a uniform method in the settlement account statistics by classifying accounts as an ordinary account, which covers the general administrative sector, and other accounts (public business accounts). This enables us to clarify the financial condition of local governments as a whole and to make a statistical comparison among local governments.



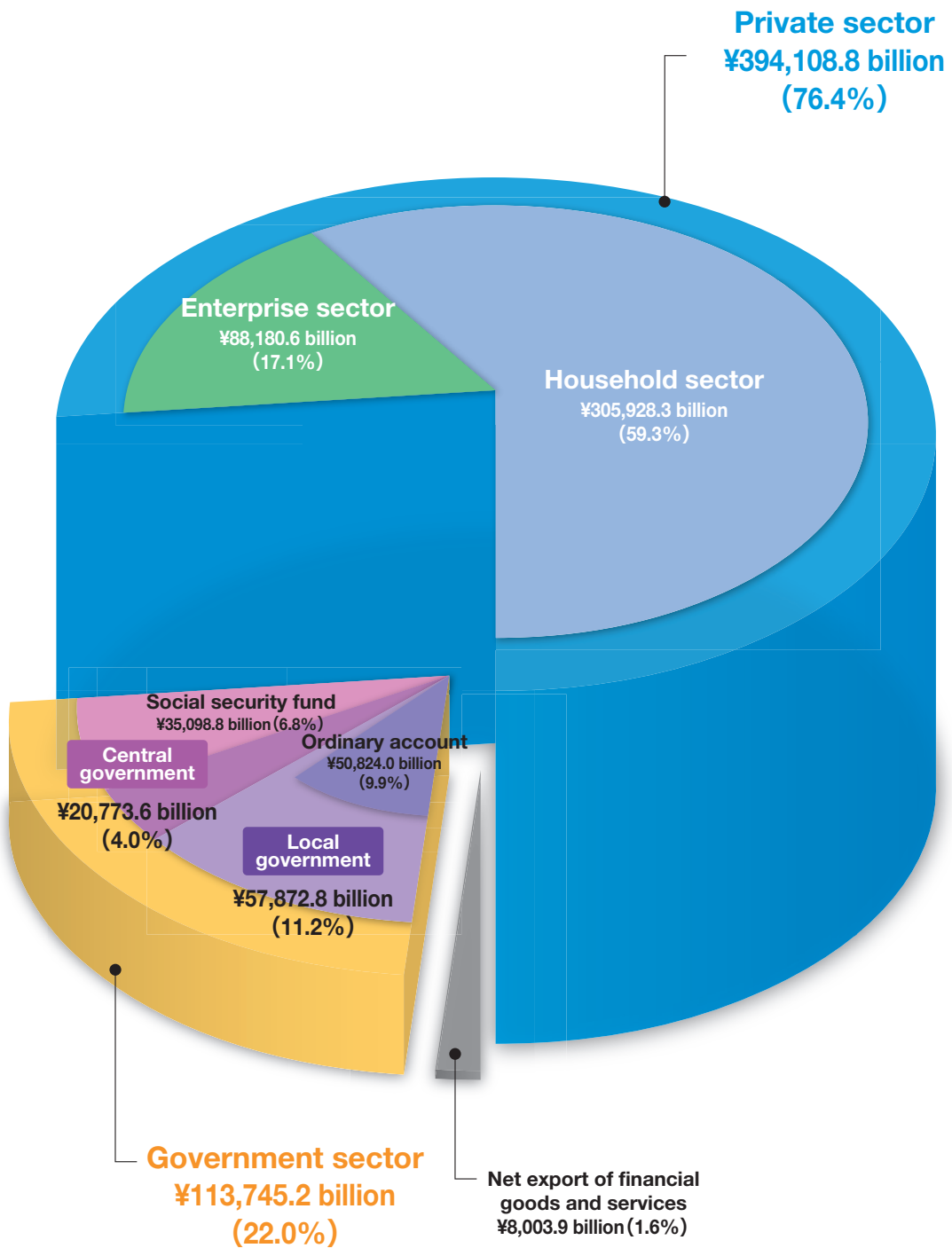
## How large is local public finance compared with central government finance?

Looking at the scale of local public finance to gross domestic expenditure, we see that the ratio of the local government sector is 11.2%, which is about three times larger than the ratio of the central government.

### Gross Domestic Expenditure and Local Public Finance

Gross domestic expenditure  
(nominal)

¥515.8579 trillion

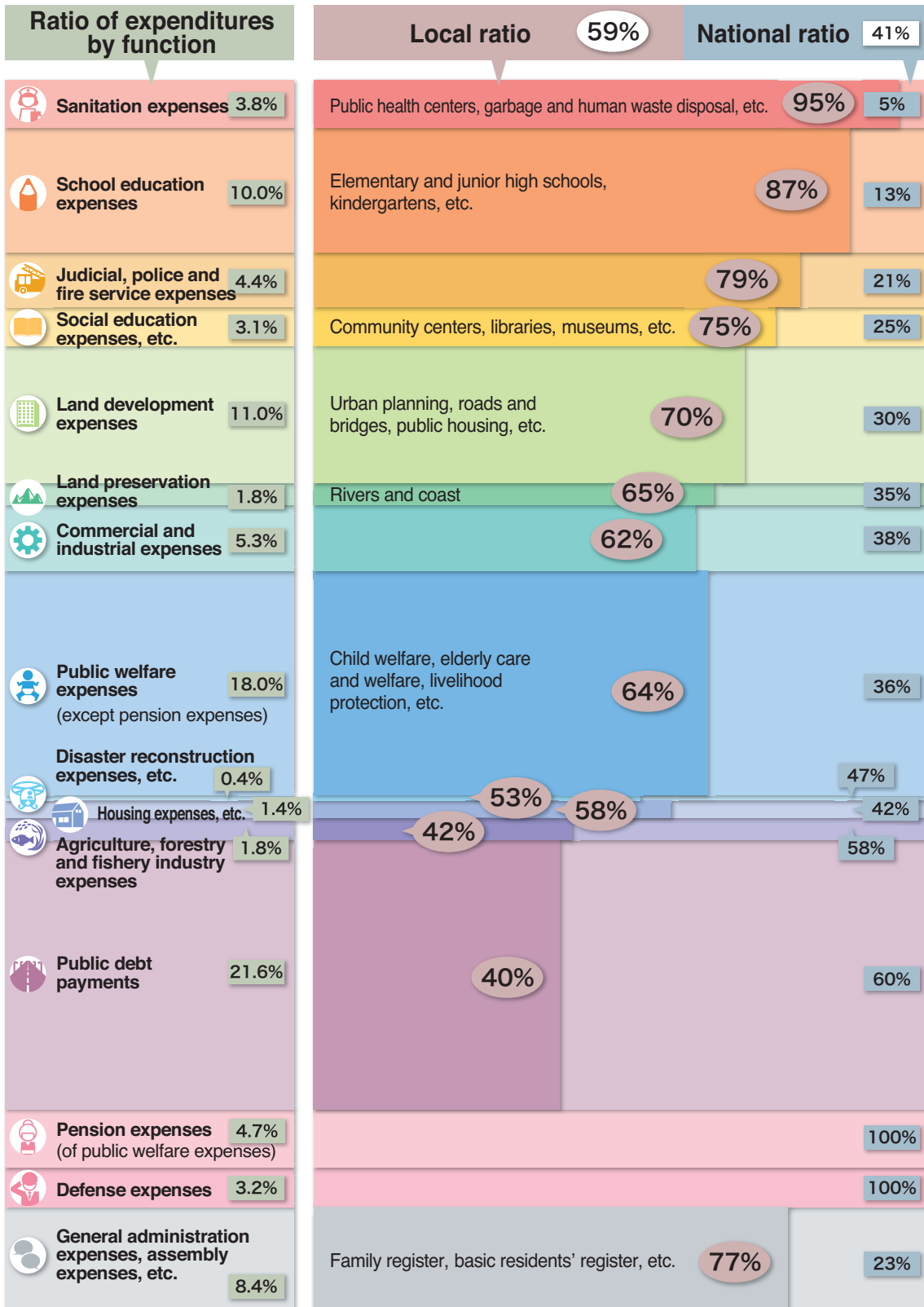




## In which fields are local expenditure ratios high?

Local expenditure ratios are higher in the areas that have a close relationship with our daily lives, such as public health and sanitation, school education, social education, and police and fire services.

### Shares of National and Local Governments in Main Expenditures by Function (final expenditure base)



# The State of Local Public Finance

## Overall Condition of FY 2007 Settlement

### Drastic Cuts in Expenditures Under Severe Fiscal Circumstance (eighth consecutive year of reduction)

#### 1 Expenditure – Continuation of Cuts in Expenditures

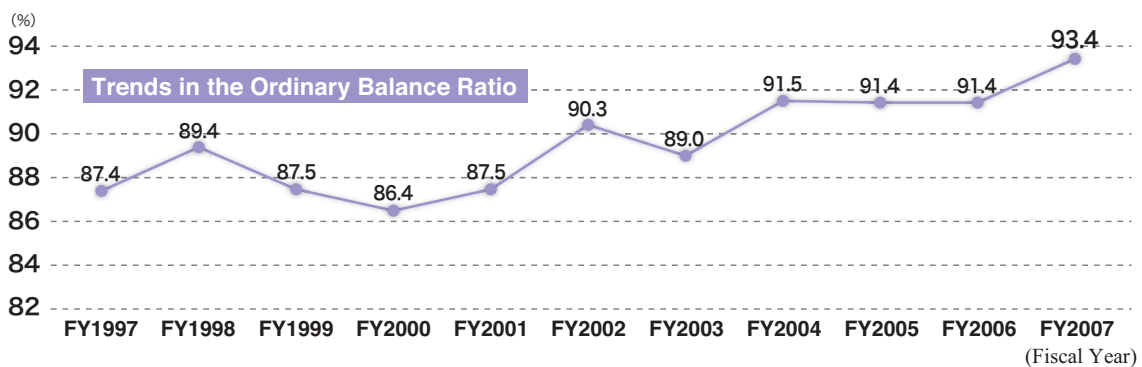
The total expenditure declined for the eighth consecutive year to ¥89.1476 trillion. While there were many factors that increased expenditures, such as the expanded child allowance system and the full-scale enforcement of the Services and Supports for Persons with Disabilities Act, there were drastic cuts in other expenditures such as employee salaries (a reduction of 1.5% in comparison to the previous fiscal year), investment expenses (6.2% reduction), and so on.

#### 2 Revenues – Greater Decline in Revenues than in Expenditures

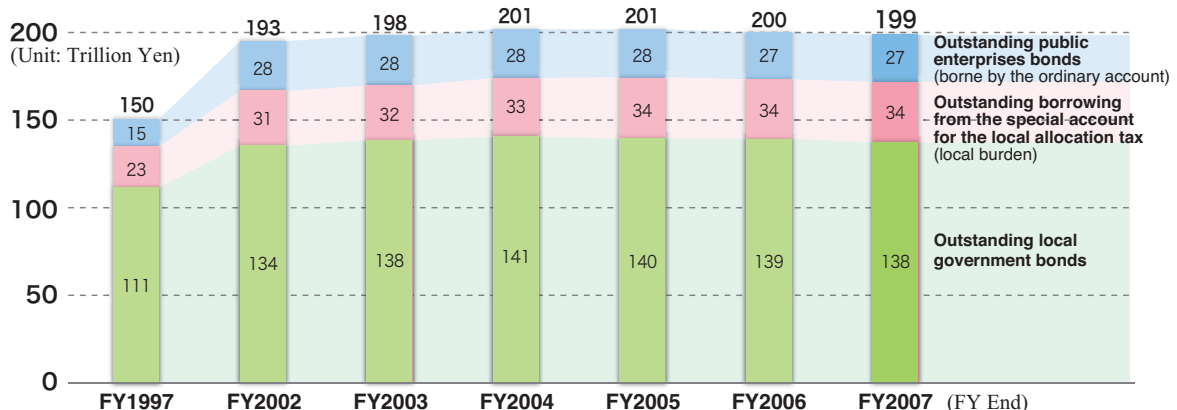
The total revenue declined for the eighth consecutive year to ¥91.1814 trillion. While local tax revenues (10.3% increase in comparison to the previous fiscal year) and so on increased, local transfer tax revenues (80.8% decrease), local allocation tax revenues (5.0% decrease), special local grants revenues (61.8% decrease), and so on decreased.

#### 3 Flexibility of the Financial Structure

– Record-high Ordinary Balance Ratio due to Increases in Social Security-related Expenses, etc.



#### 4 Trends in Outstanding Borrowing that Should be Shouldered by the Ordinary Account – Still Remains at a High Level

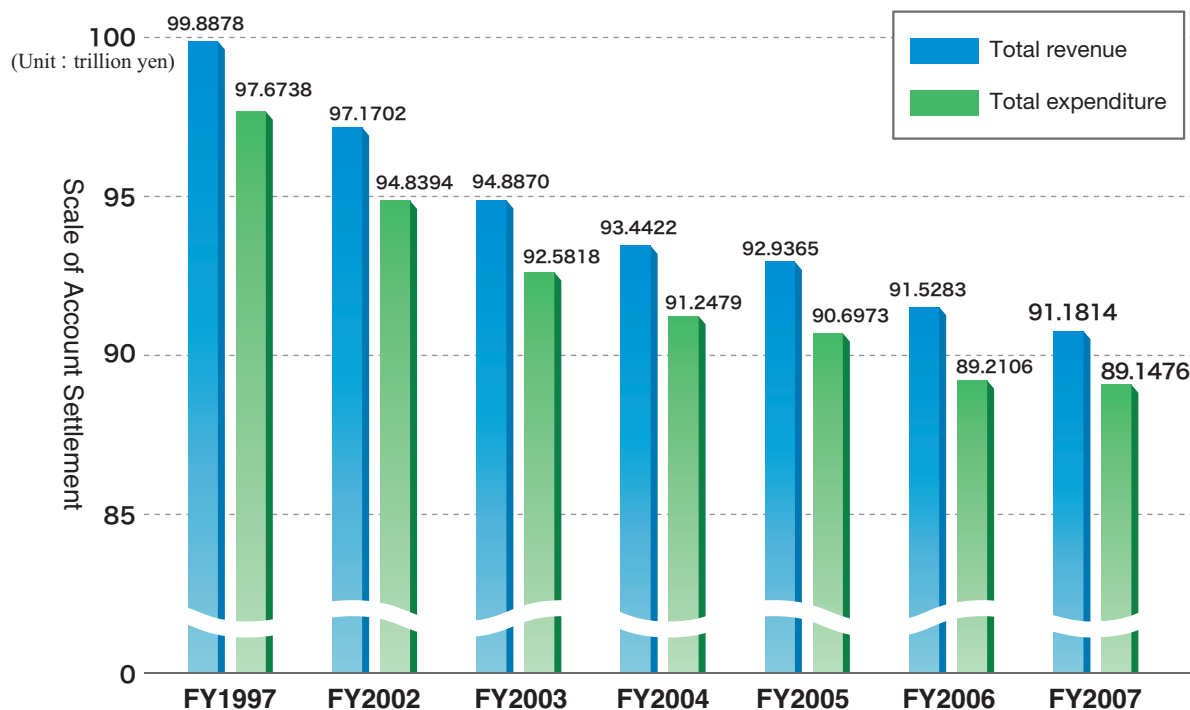


**Notes:**

1. Outstanding public enterprises bonds (borne by the ordinary account) are estimates based on settlement account statistics.
2. Outstanding local government bonds excludes special fund public investment bonds.

# Scale of Account Settlement

As a result of the fact that, on the revenue side, the local allocation tax and special local grants and so on declined and, on the expenditure side, employee salaries and investment expenses centering on ordinary construction expenses and so on declined, both revenues and expenditures decreased for the eighth consecutive year.



# Revenue and Expenditure Settlement

Both the real single fiscal year balance and the single fiscal year balance turned into a deficit.

Category	Settlement figure		No. of deficit organizations	
	FY 2007	FY 2006	FY 2007	FY 2006
<b>Real single FY balance</b>	△ ¥13.7 billion	¥423.9 billion	899 (1,586)	750 (1,446)
<b>Single FY balance</b>	△ ¥161.3 billion	¥220.4 billion	1,024 (1,723)	768 (1,445)
<b>Real balance</b>	¥1,359.7 billion	¥1,524.5 billion	25 (26)	25 (27)

## Notes:

- Real single FY balance:** Calculated by adding reserves to the fiscal adjustment fund and advanced redemption of local loans to the single FY balance and subtracting the used part of the fiscal adjustment fund.  
**Single FY balance:** Calculated by subtracting the real balance of the previous fiscal year from the real balance of the fiscal year concerned.  
**Real balance:** Calculated by subtracting the revenue resources that should be carried over to the next fiscal year from the income expenditure balance
- The number of deficit organizations does not include partial administrative associations or wide-area local public bodies; the figures in parentheses are the number of organizations including partial administrative associations and wide-area local public bodies.
- The organizations with a real balance deficit in the fiscal year 2007 include one municipality with a deficit resulting from a discontinued settlement, while those in the fiscal year 2006 include one partial administrative association and the like with a deficit resulting from a discontinued settlement.

# Revenue

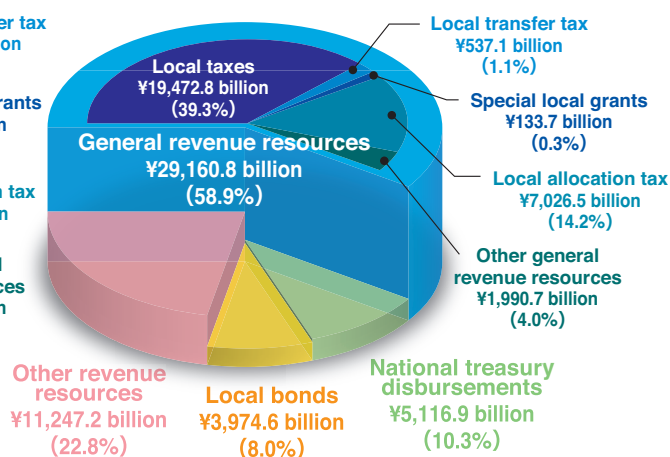
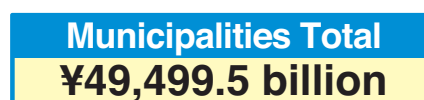
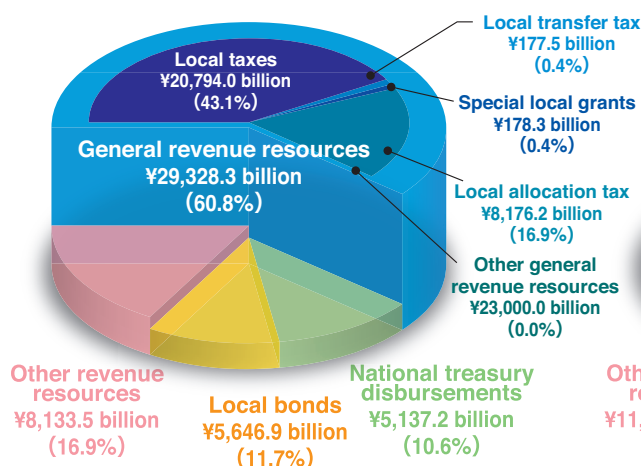
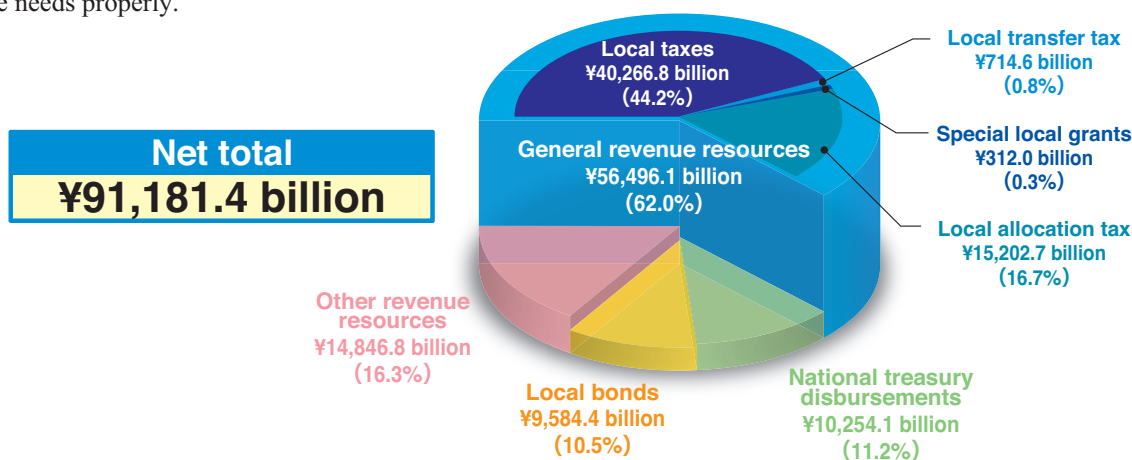
## Where does the funds for local government activities come from?

### 1 Revenue Breakdown

The revenue of local governments comes mainly from local taxes (about forty percent), local allocation tax, national treasury disbursements, and local bonds, in that order.

#### General Revenue Resources

Revenue resources for which the use is not specified, such as local taxes and the local allocation tax, are called general revenue resources. Here, the total of local taxes, local transfer taxes, the local allocation tax, special local grants, and so on is treated as general revenue resources. It is extremely important for local governments to ensure sufficient general revenue resources in order to handle various administrative needs properly.



#### Local transfer tax

Collected as a national tax and transferred to local governments. Includes local road transfer tax, etc.

#### Special local grants

A revenue source with the character of a substitute for local taxes, including the special child allowance in response to the increased local burden as a result of the expanded child allowance system in FY2006 and FY2007.

#### Local allocation tax

An intrinsic revenue source shared by local governments in order to adjust imbalances in tax revenue among local governments and to guarantee revenue sources so that local governments in whatever region can provide a certain level of administrative services. Calculated as a certain ratio of five national taxes. (See 4 Local Allocation Tax)

#### National treasury disbursements

A general name for funds disbursed from the central government to local governments for specified uses.

#### Local bonds

The debts of local governments for which fulfillment continues for more than one fiscal year.

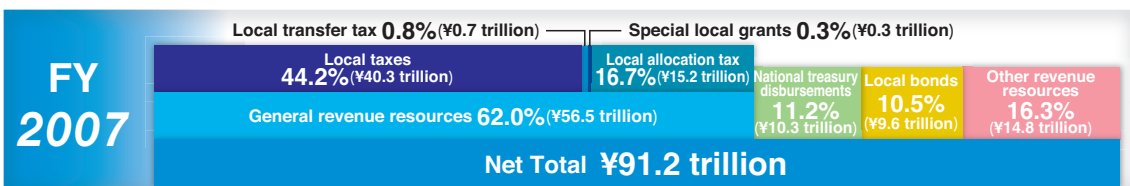
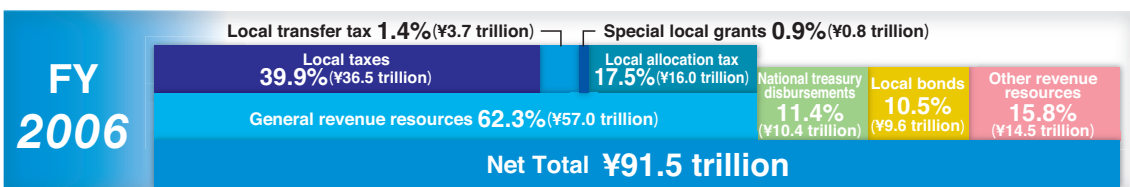
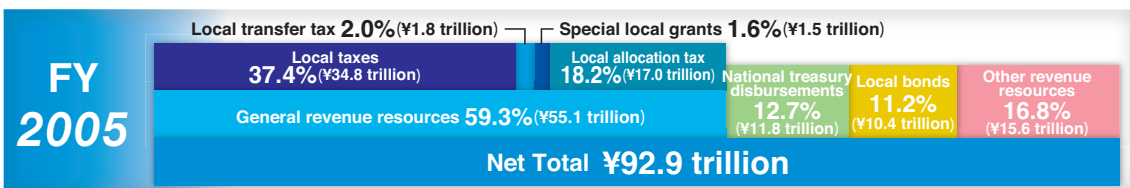
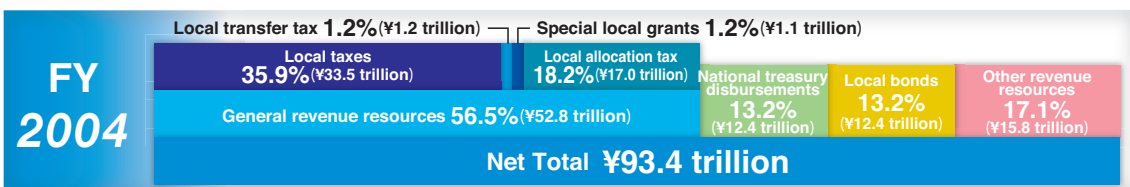
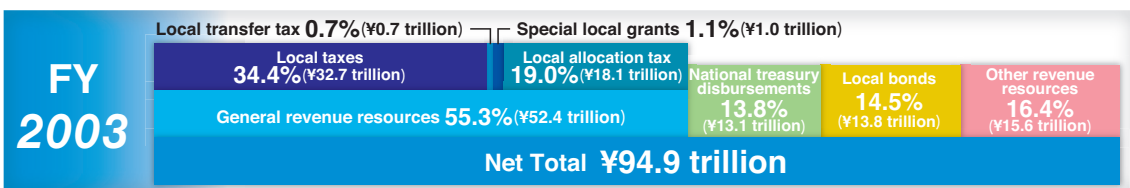
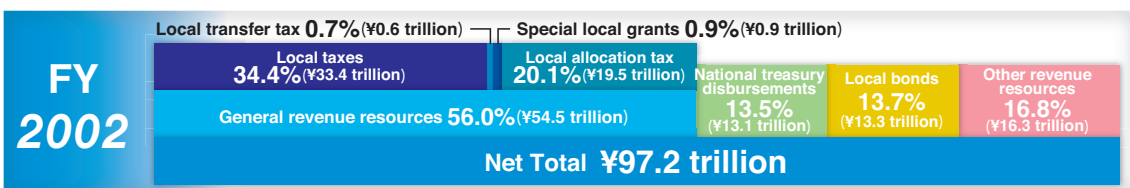
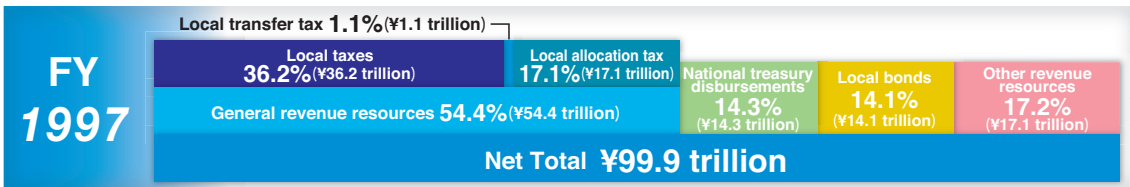
#### Notes:

- The figures here are mainly for the ordinary account. (For the accounts of public enterprises, such as water supply and sewerage businesses, transportation businesses, and hospitals, see Local Public Enterprises)
- The figures for each item are rounded off under the given unit. Therefore, they do not necessarily add up exactly to the total.

## 2 Revenue Trends

While the shares of local taxes to total revenue increased, the shares of local allocation tax, national treasury disbursements and local bonds are on a downward trend.

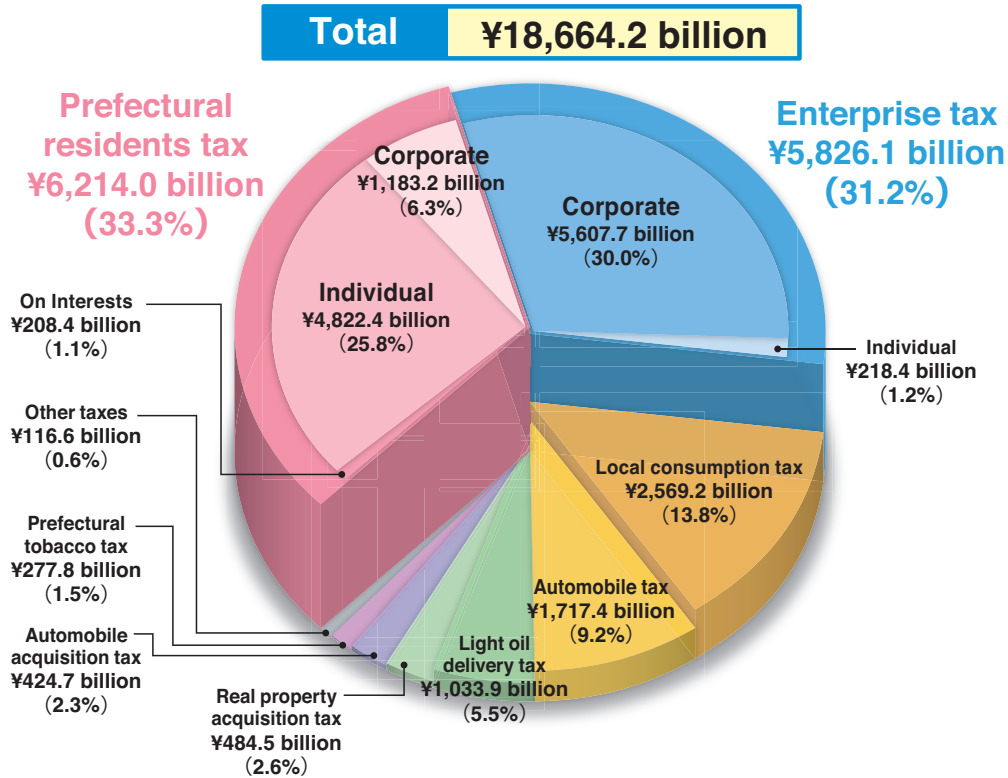
### Nationwide



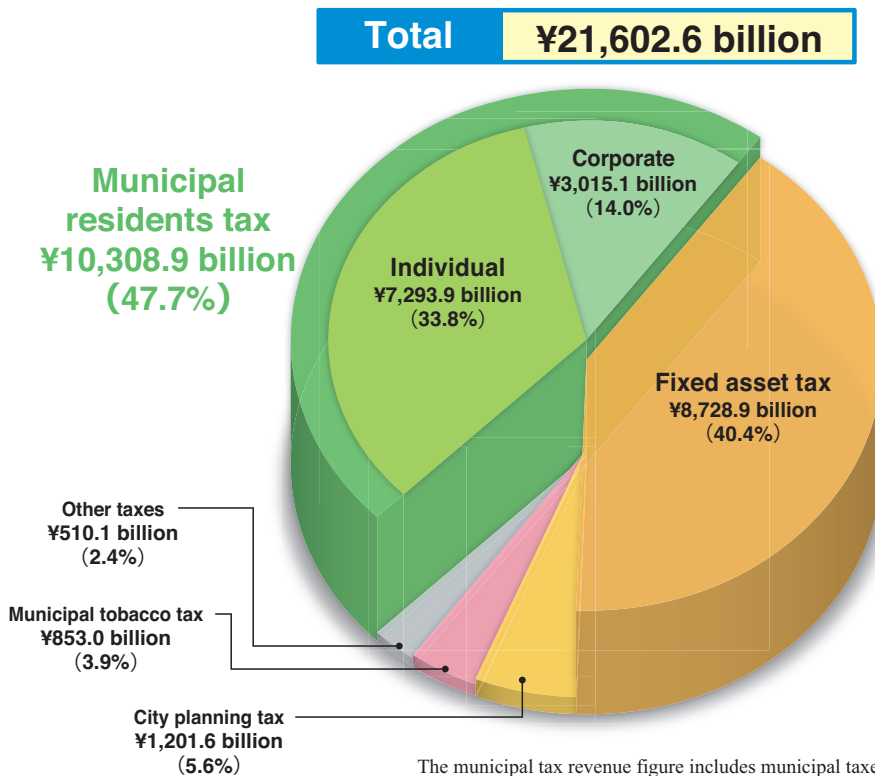
### 3 Local Taxes

Local taxes consist of prefectural taxes and municipal taxes. (In the case of the special wards of Tokyo, the Tokyo Metropolitan Government collects some municipal taxes.)

#### Composition of Revenue from Prefectural Taxes (FY 2007 settlement)



#### Composition of Revenue from Municipal Taxes (FY 2007 settlement)

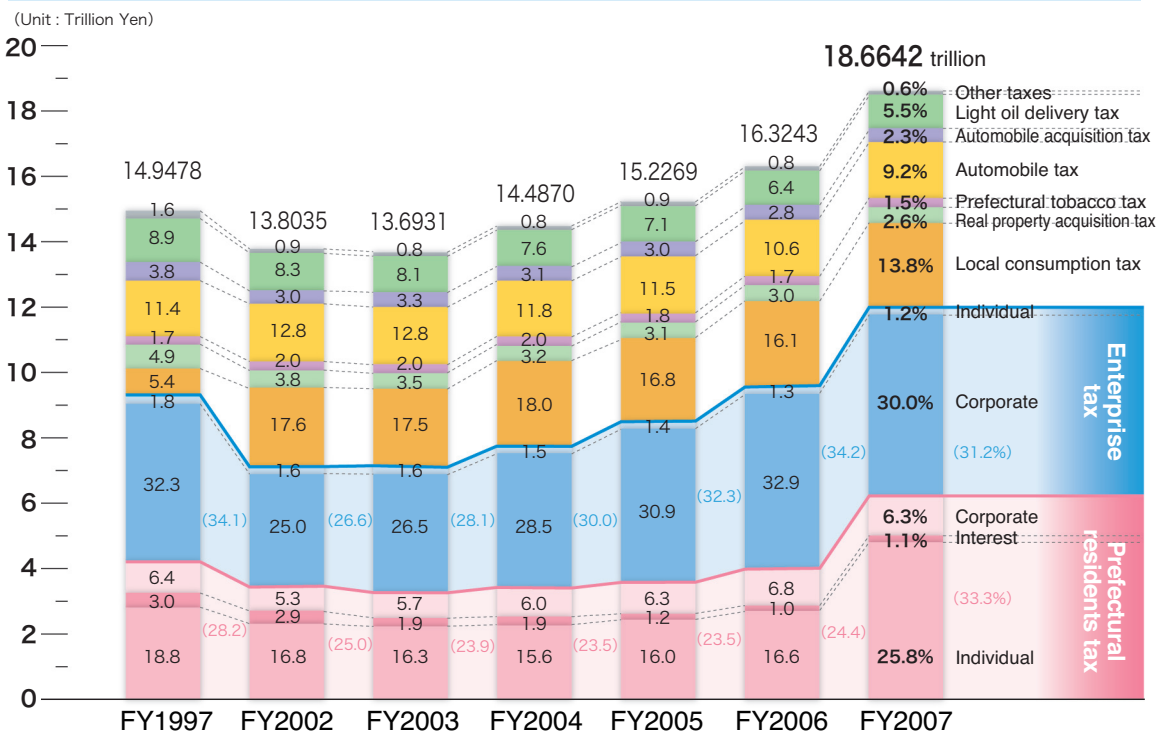


The municipal tax revenue figure includes municipal taxes collected by Metropolitan Tokyo.



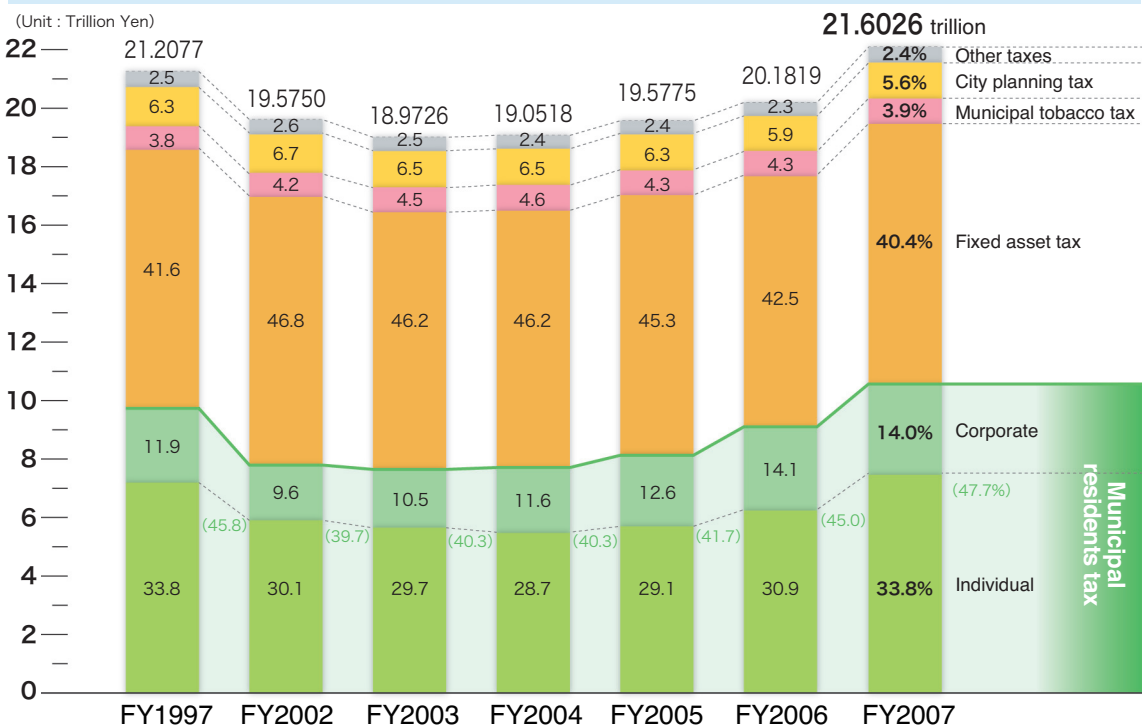
Both prefectural tax revenue and municipal tax revenue increased for the fourth consecutive year due to such factors as an increase in individual inhabitant tax, which resulted from the transfer of tax revenue sources and the abolishment of temporary tax cuts, as well as increases in the two corporate taxes (corporate inhabitant tax and corporate business tax).

## Prefectural Tax Revenue Trend



Figures in parentheses are the component ratios of the business tax and prefectural residents tax.

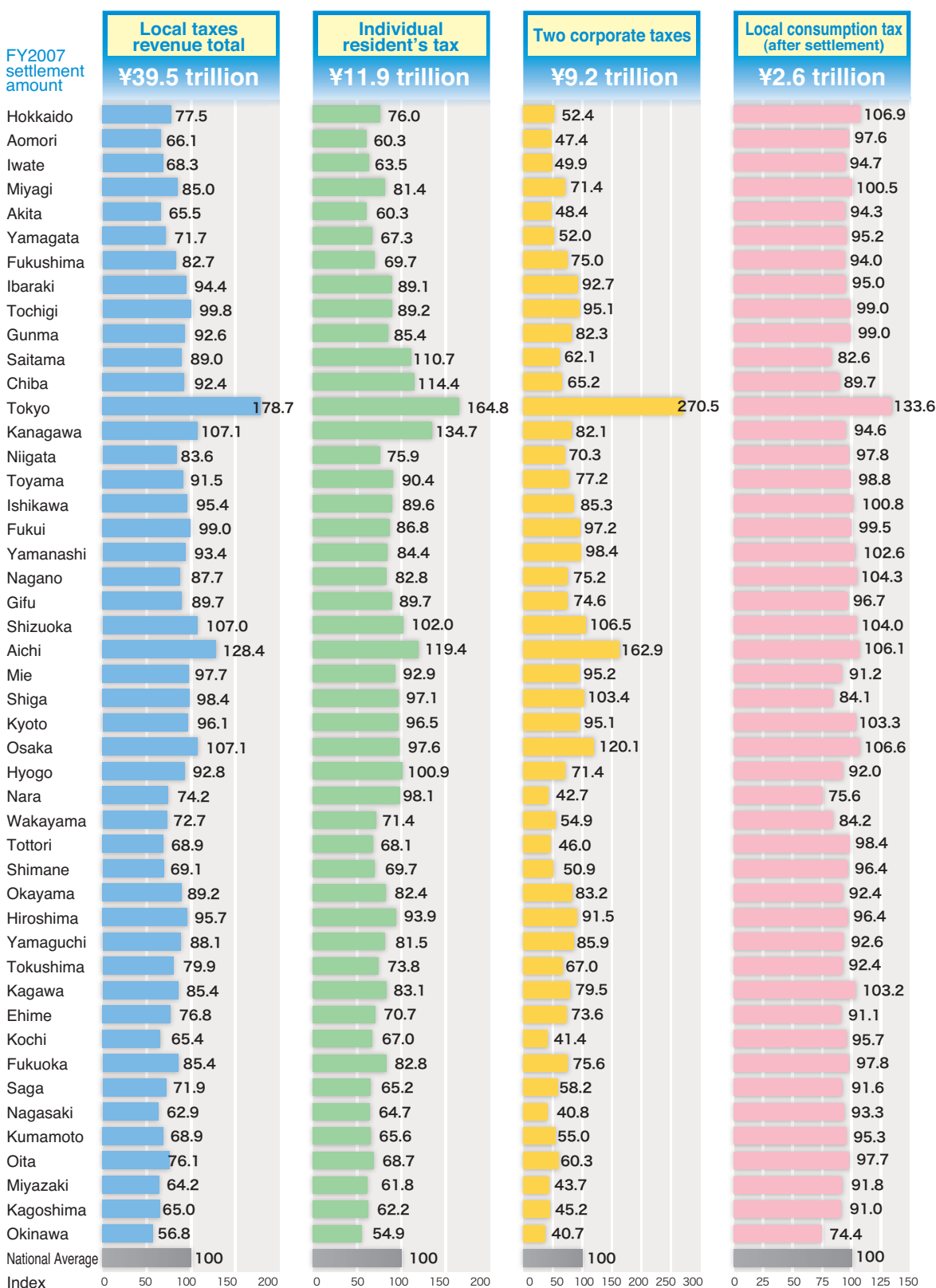
## Municipal Tax Revenue Trend



Figures in parentheses are the component ratio of the municipal residents tax.  
The municipal tax revenue figure includes municipal taxes collected by Metropolitan Tokyo.

In order for local governments to provide administrative services in response to local needs with responsibility and at their own discretion, it is necessary to expand and secure local taxes so as to build a local tax system in which the uneven distribution of tax sources is limited and the stability of tax revenue is ensured.

### Index of Per Capita Revenue in Local Tax Revenue (with national average as 100)



#### Notes:

1. The local tax revenue total amounts do not include excess taxation, non-statutory ordinary taxes, or non-statutory special purpose taxes.
2. The revenue of the individual resident's tax is the total of the prefectural individual resident's tax (taxation on per capita basis and taxation on income basis) and the municipal individual resident's tax (taxation on per capita basis and taxation on income basis) and excludes excess taxation.
3. The revenue of the two corporate taxes is the total of the corporate prefectural resident's tax, the corporate municipal resident's tax and the corporate business tax and excludes excess taxation.
4. Calculations are made from the basic residents' register population as of March 31, 2008.



## 4 Local Allocation Tax

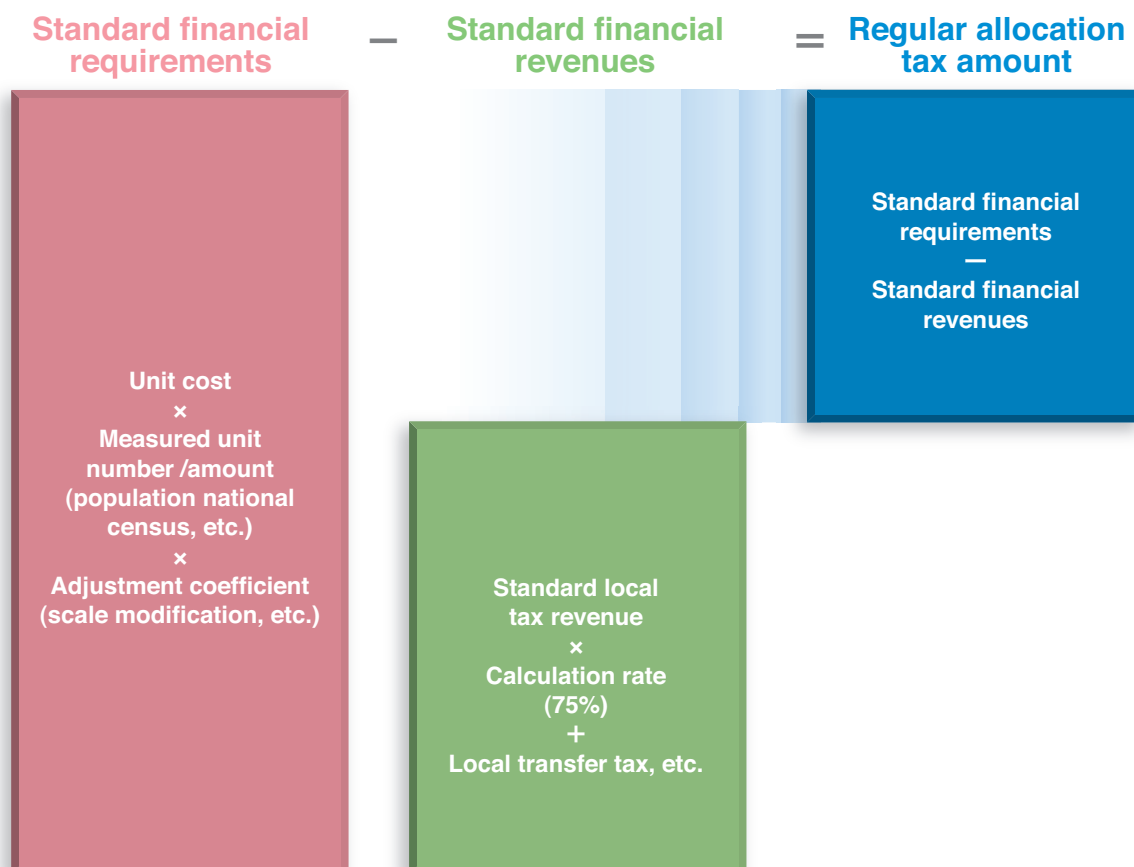
From the perspective of local autonomy, it would essentially be the ideal for each local government to ensure the revenue sources necessary for administrative activities through local taxes collected from their residents. However, there are regional imbalances in tax revenue, and many local governments are unable to acquire necessary tax revenue. Therefore, the central government collects financial resources that should fundamentally be attributable to local tax revenue through national taxation and reallocates them as the local allocation tax to local governments where financial resources are insufficient.

### 1 Determination of total amount of local allocation tax

The total amount of the local allocation tax is determined on the basis of certain ratios for national taxes (32% for income tax and liquor tax, 34.0% for corporate tax, 29.5% for consumption tax, and 25% for tobacco tax) as well as estimates of standard revenue and expenditure of local public finance as a whole. The total amount of local allocation tax in fiscal 2007 was ¥15.2027 trillion, down 5.0% from the previous fiscal year.

### 2 Method of calculation of regular local allocation tax for each local government

The regular local allocation tax for each local government is calculated by the following mechanism:



#### Notes:

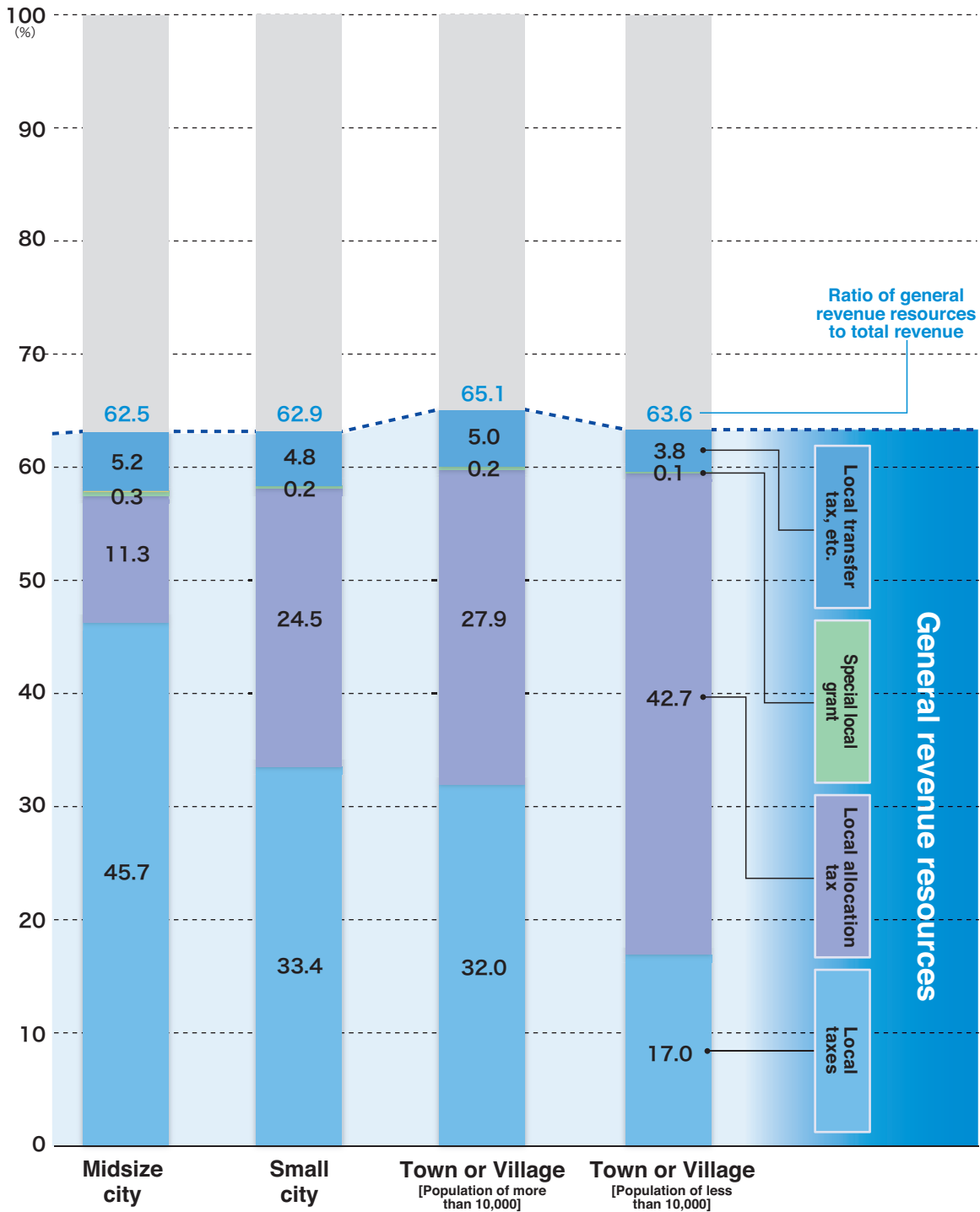
1. Standard financial requirements are calculated as the financial requirements of each local government based on rational and appropriate standards. It is required to include the local share of the national treasury projects, such as compulsory education, livelihood protection, and public works, work project in calculating the standard financial requirements. From FY 2001 to FY 2009, part of the standard financial requirements is being transferred to special deficit-financing local bonds (extraordinary financial countermeasures bonds) as an exception to Article 5 of the Local Finance Law.
2. Normal local tax revenue neither includes “non-statutory ordinary taxes” and “non-statutory special purpose taxes” imposed independently by the local government nor “excess tax” that exceeds the standard tax rate stipulated in the Local Tax Law.

### 3 Function of the local allocation tax

The function of the local allocation tax is to adjust imbalances in revenue among local governments in order to guarantee revenue so that local governments can provide standard administrative services and basic social infrastructure to their residents in whatever region.

Accordingly, as a result of the revenue adjustment mechanism through the local allocation tax, few differences in such factors as size of population have been found in the ratio of general revenue resources to total revenue.

Ratio of General Revenue Resources to Total Revenue for Municipalities



**Notes:**

A "midsize city" refers to a city with a population of more than 100,000 persons among cities excluding large cities, core cities, and special cities, and a "small city" refers to a city with a population of less than 100,000.

# Expenditure

What is revenue being expended for?

## 1 Expenses by Function

When expenses are classified by function, we see that a lot of revenue is expended for such items as education expenses, public welfare expenses, and civil engineering work expenses. In prefectures it is mainly expended for education expenses, debt servicing, and civil engineering work expenses, in that order. In municipalities it is primarily expended for public welfare expenses, civil engineering work expenses, and debt servicing, in that order.

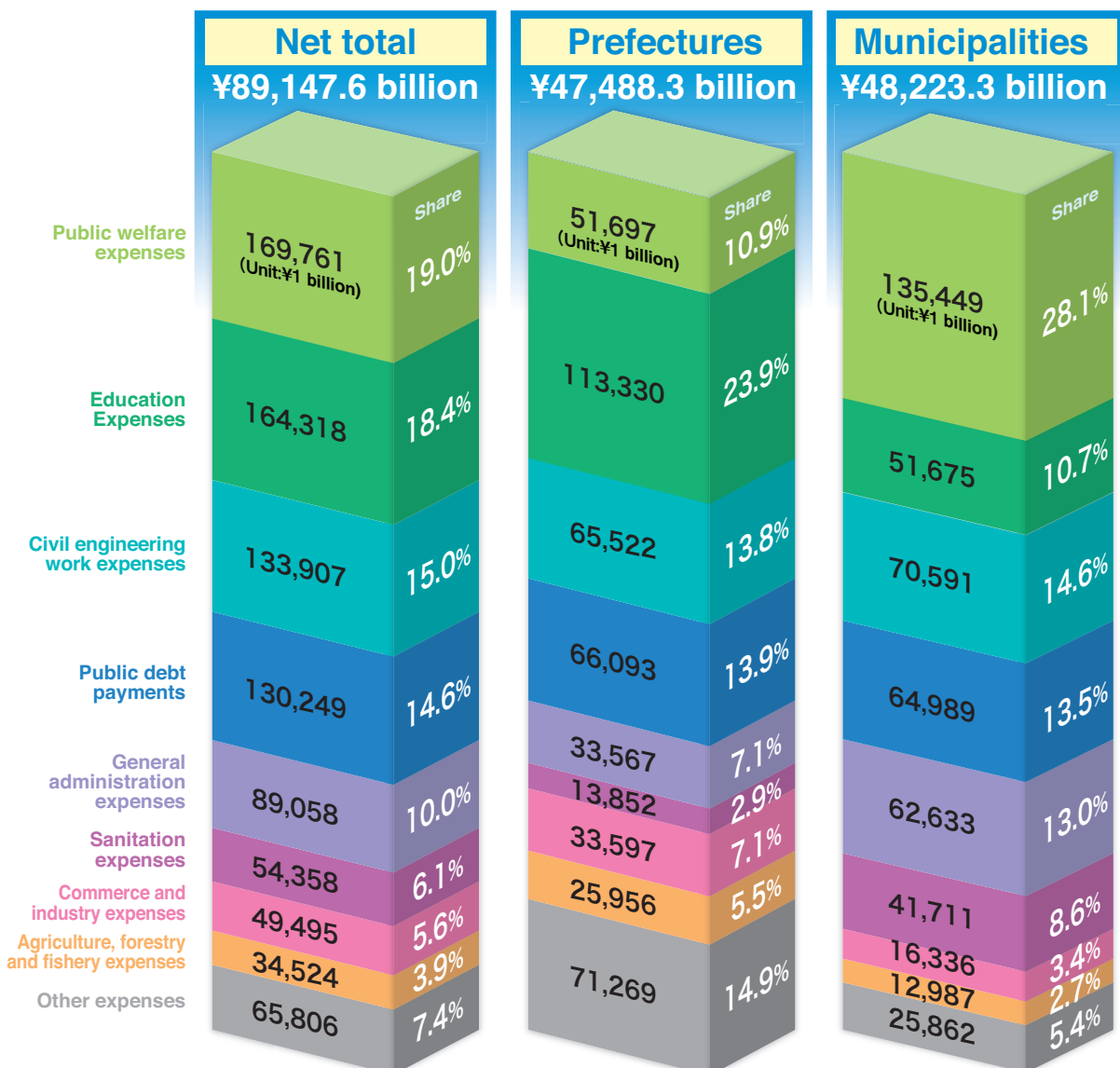
**Public welfare expenses** : Expenses for the construction and operation of welfare facilities for children, the elderly, the mentally and physically disabled, etc. and for the implementation of livelihood protection, etc.

**Education expenses** : Expenses for school education, social education, etc.

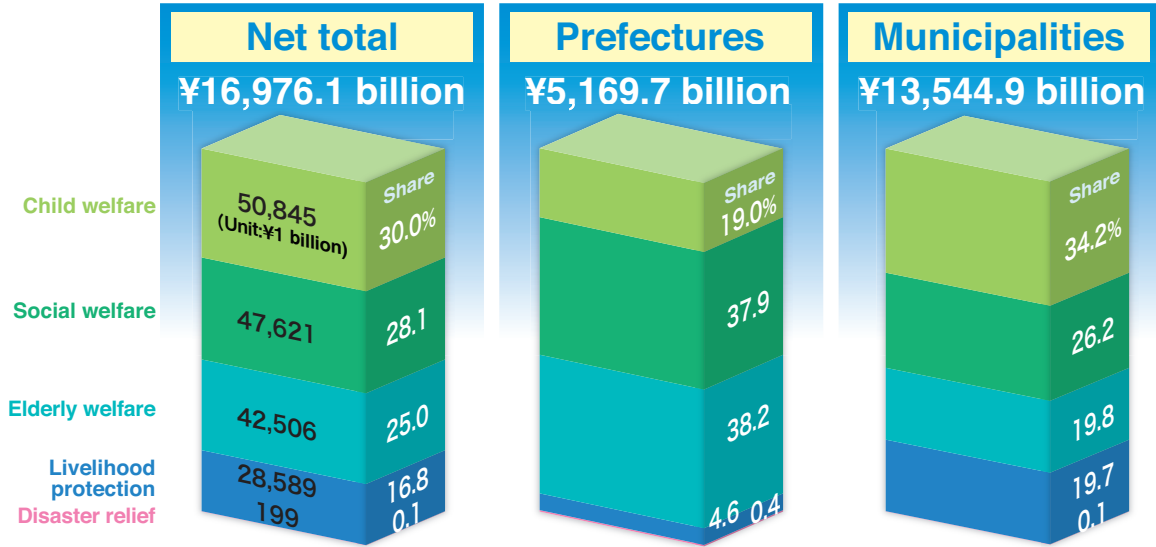
**Civil engineering work expenses** : Expenses for the construction and improvement of public facilities, such as roads, housing and parks.

**Public debt payment** : Expenses for the payment of principal, interest, etc. on debts.

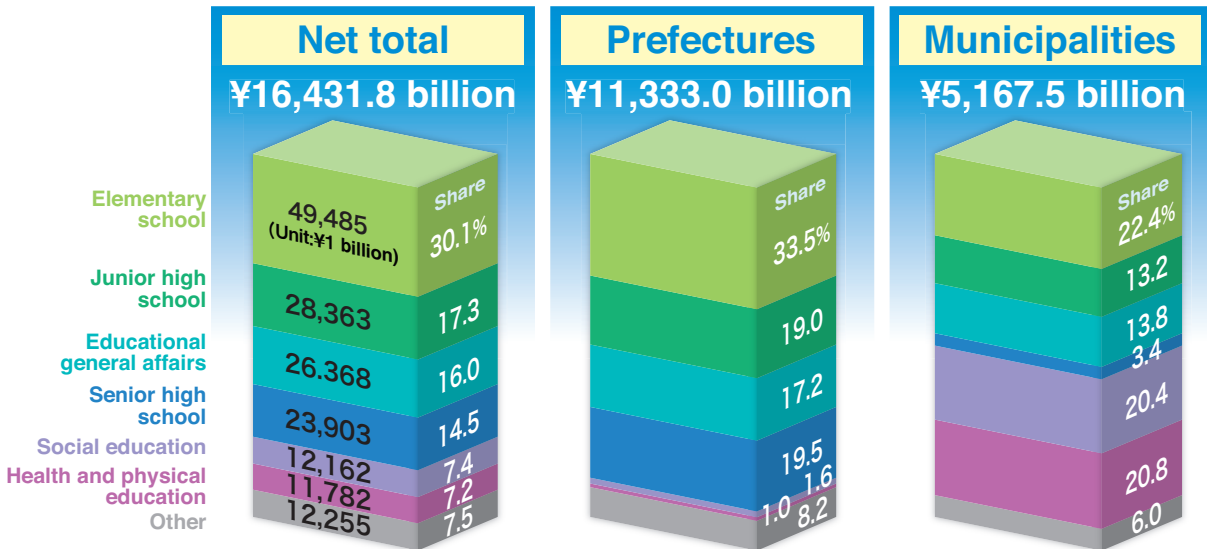
### Composition of Expenditure by Function (FY 2007 settlement)



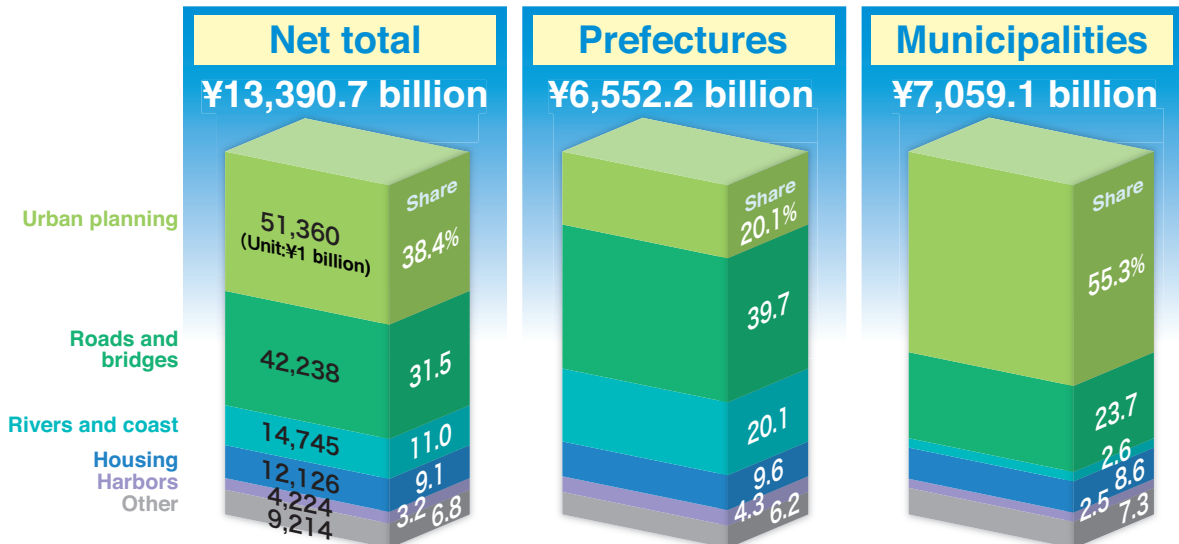
### Breakdown of Public Welfare Expenses by Purpose



### Breakdown of Educational Expenses by Purpose



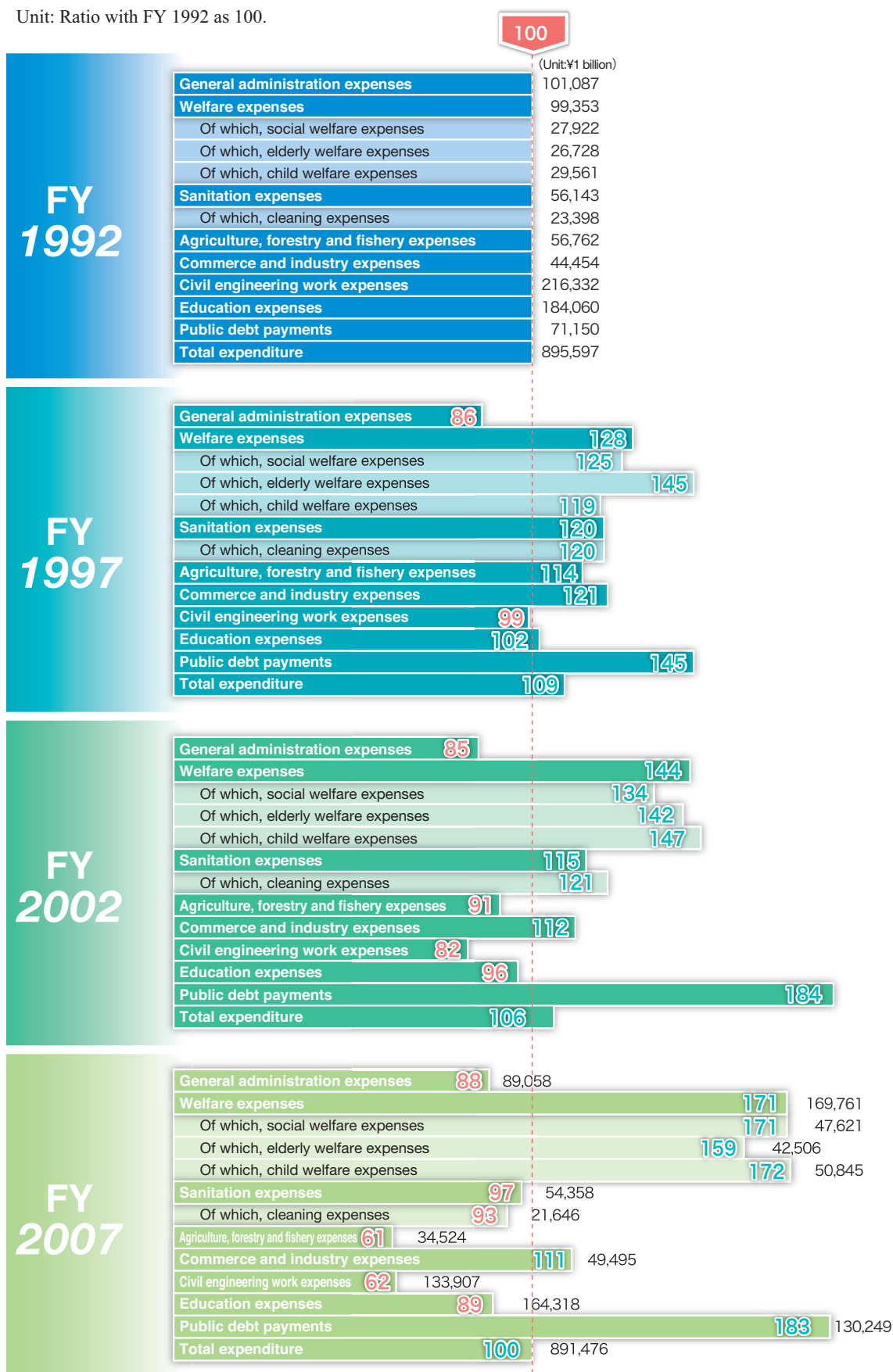
### Breakdown of Civil Engineering Work Expenses by Purpose



In recent years, welfare expenses, public debt payments and so on have been increasing, while there has been a decline in such items as agriculture, forestry and fishery expenses and civil engineering work expenses.

### Trends in Breakdown of Expenditures by Function (ordinary account net total)

Unit: Ratio with FY 1992 as 100.



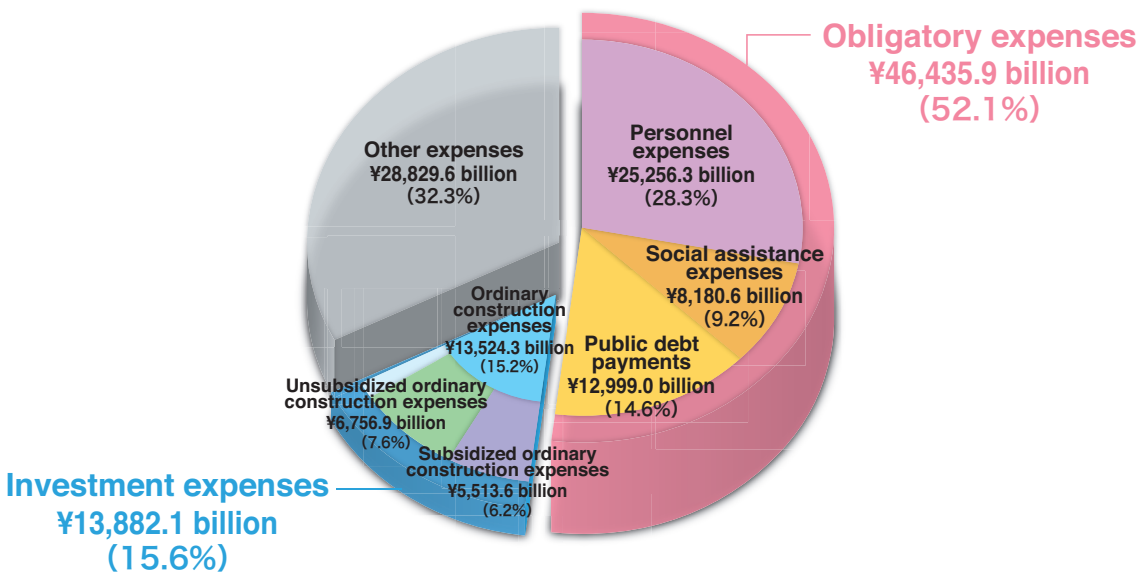
# What are expenses for?

## 2 Expenses by Character

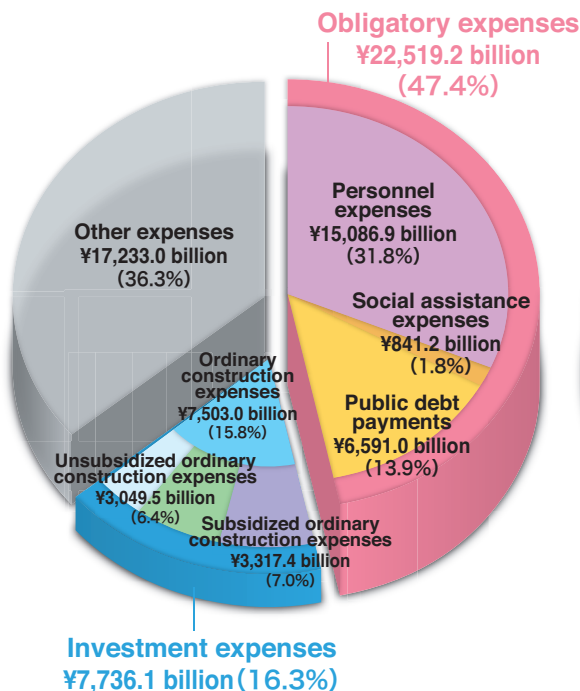
Classified by character, expenses can be divided into "obligatory expenses" (personnel expenses, social assistance expenses and public debt payments), which are mandatory and difficult to cut down at the discretion of individual local governments; "investment expenses," including ordinary construction expenses, etc.; and "other expenses."

### Composition of Expenditure by Character (FY 2007 settlement)

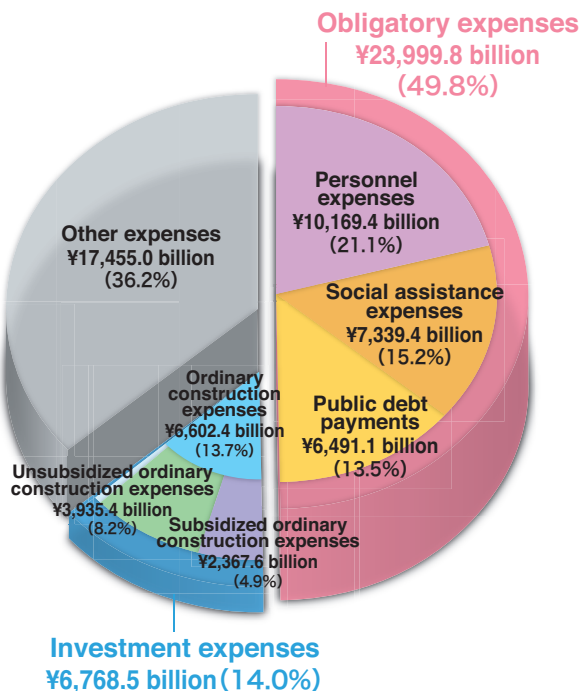
**Net total ¥89,147.6 billion**



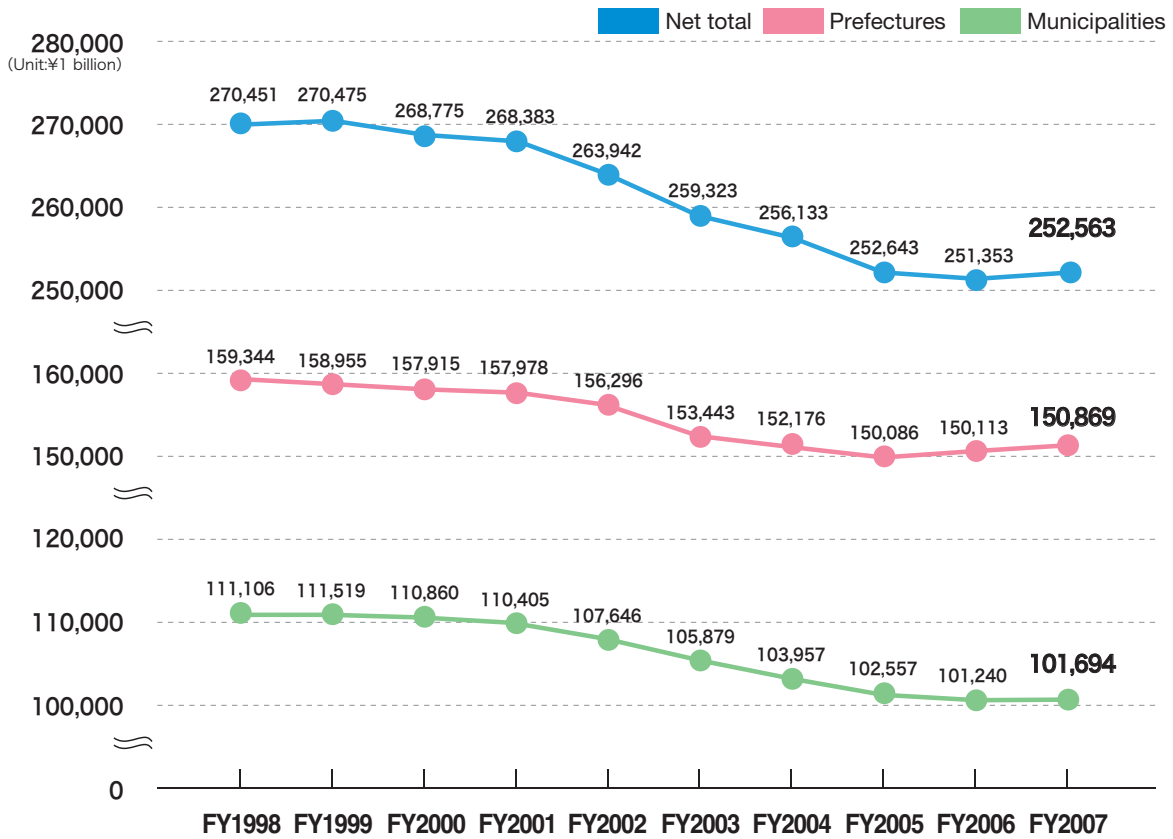
**Net total ¥47,488.3 billion**



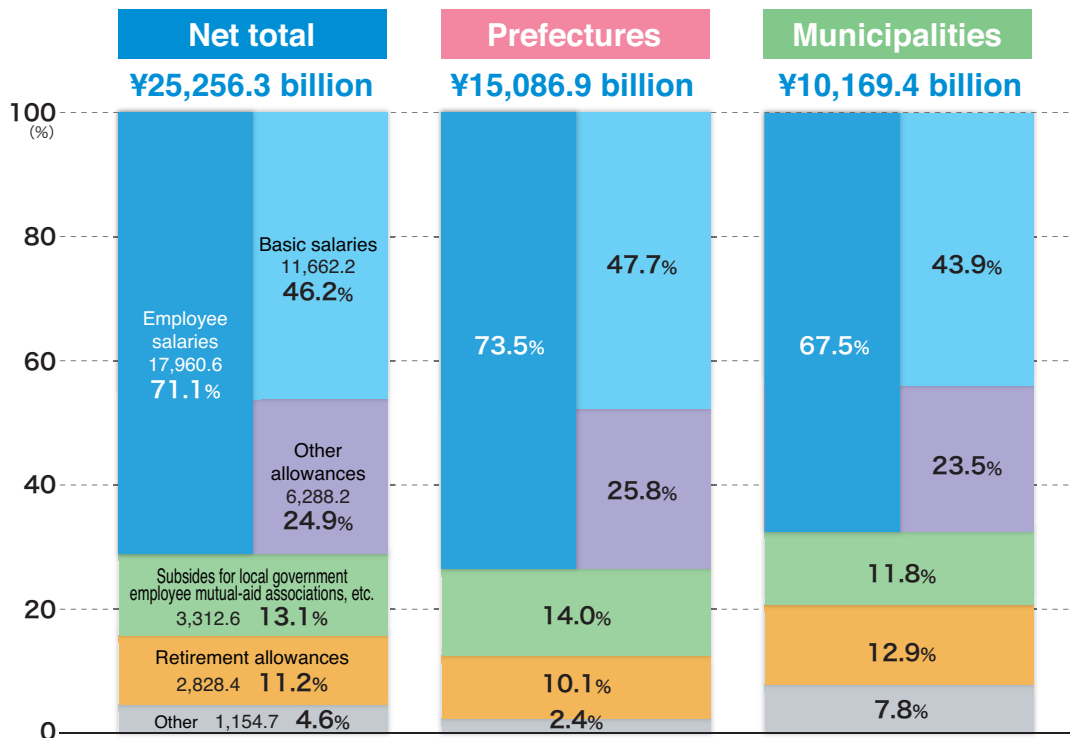
**Net total ¥48,223.3 billion**



## Trends in Personnel Expenses



## Breakdown of Personnel Expenses by Item

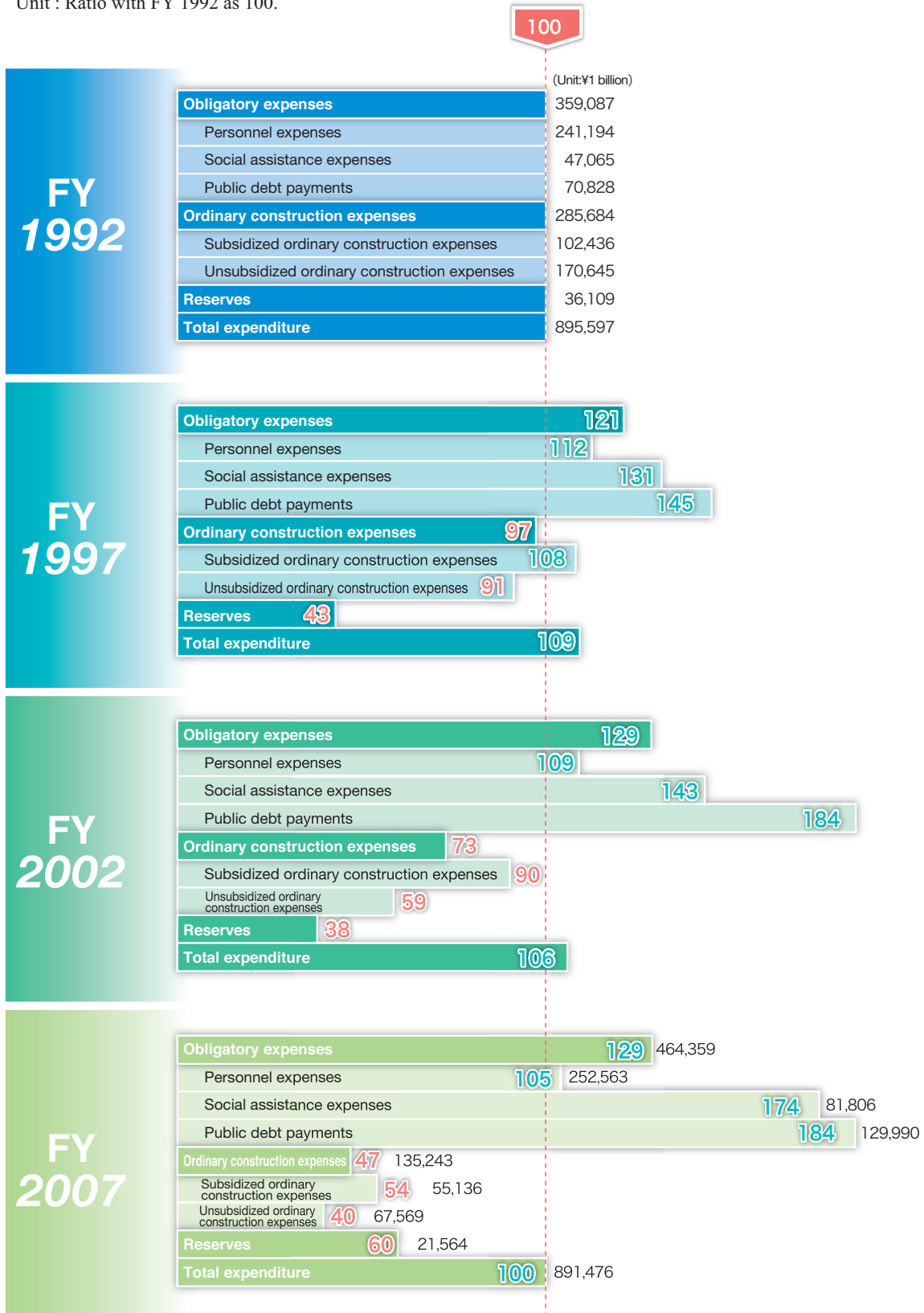




In recent years, social assistance expenses, public debt payments and so on have been increasing, while there has been a decline in such items as ordinary construction expenses.

### Trends in Breakdown of Expenditures by Character (ordinary account net total)

Unit : Ratio with FY 1992 as 100.



**Social assistance expenses :**

Expenses which include child welfare expenses, livelihood protection expenses, etc., aimed at assisting the needy, children, the elderly, mentally and physically disabled, etc., as a part of the social security system.

**Ordinary construction expenses :** Expenses necessary for the construction of social capital, such as roads, bridges, parks, schools, etc.



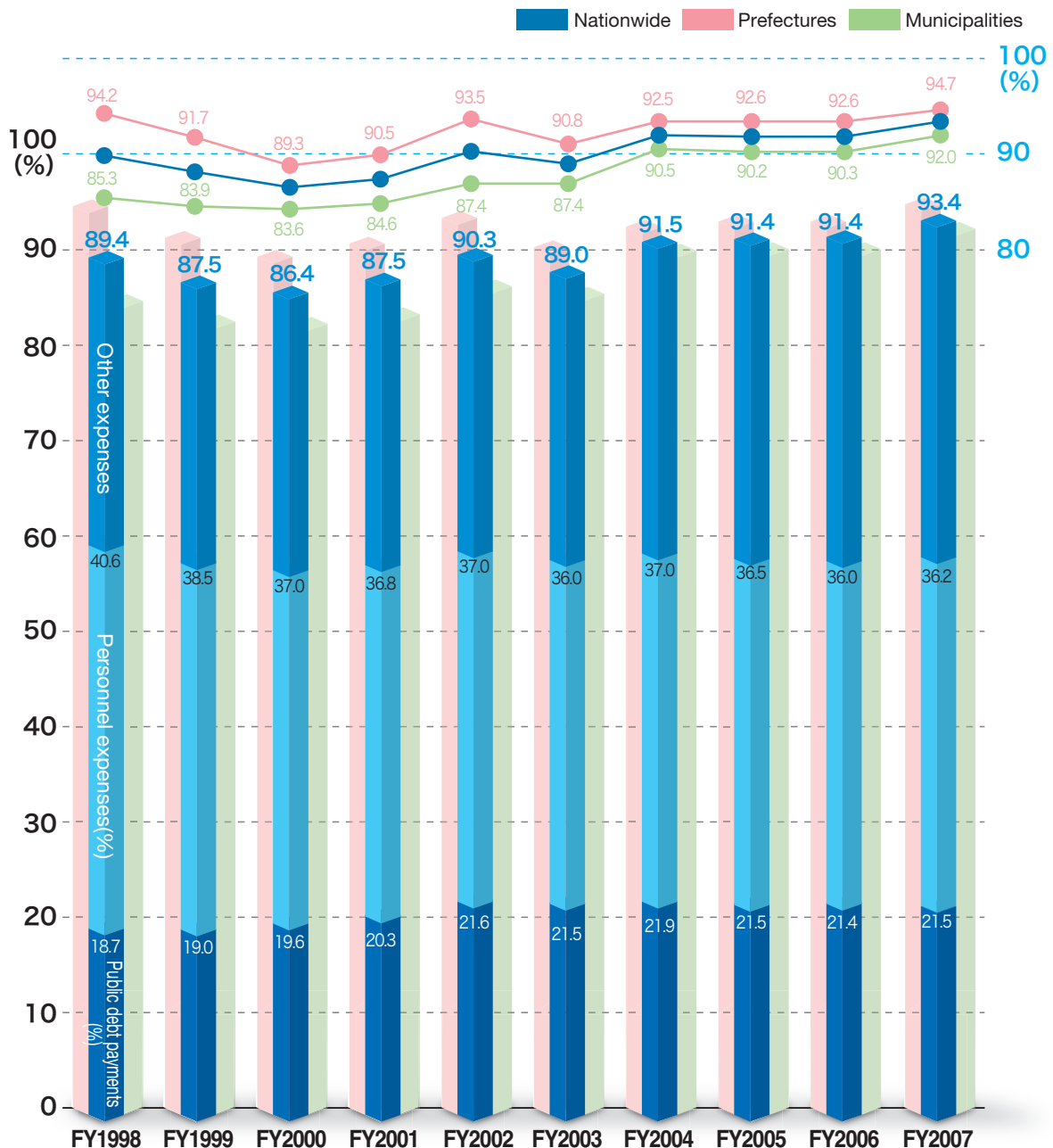
# Flexibility of the Financial Structure

## How can local finance respond to the demand toward local governments?

In addition to revenue sources allocated to obligatory expenses required every year, it is necessary for local governments to ensure revenue sources for measures to respond properly to social and economic trends and changes in the demand of the residents. The extent to which these revenue resources can be ensured is called the flexibility of the financial structure.

### 1 Ordinary Balance Ratio

The national average of the ordinary balance ratio (the ratio of ordinary revenues allocated to expenses recurring every fiscal year to the total of ordinary revenues recurring every fiscal year, centered on local taxes and the local allocation tax, as well as the special portion of tax reduction supplementary bonds and extraordinary financial countermeasures bonds) increased by 2.0 percentage points from the previous fiscal year to a record-high level of 93.4%.



Tax-reduction supplementary bonds and extraordinary financial countermeasures bonds were added from fiscal 2001 to fiscal 2006.

## 2

# Real Debt Service Ratio and Debt Service Payment Ratio Used for Permission to Issue Local Bonds

It is necessary to keep a close watch on trends in public debt payments at all times, since public debt payments, payments of the principal and the interest on the debts of local governments, are expenses especially lacking flexibility.

The real debt service ratio, which is an index indicating the extent of the real debt payment burden, was calculated for the first time on the basis of the fiscal 2005 account settlement.

Past trends can be seen in the debt service payment ratio used for permission to issue local bonds. The national average declined by 0.4 percentage points from the previous fiscal year to 11.2%.

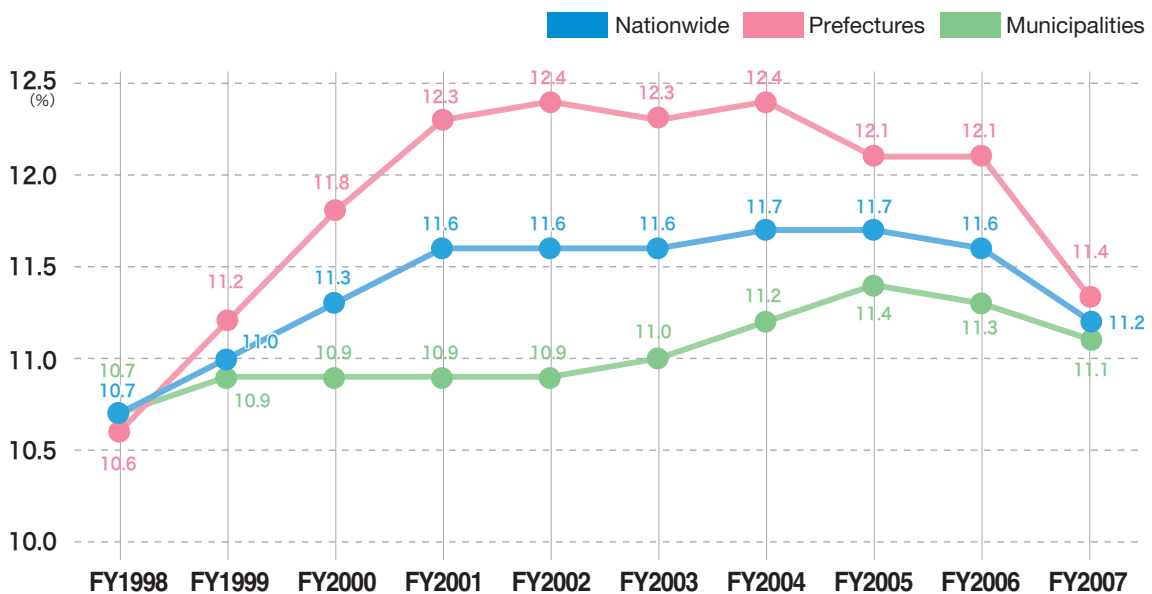
## State of the Real Debt Service Ratio

For information on the state of the real debt service ratio, please refer to the “State of the Ratio for Determining Soundness based on Fiscal 2007 Account Settlements” (on page 26).

### \*Real debt service ratio

The real debt service ratio indicates the ratio of the principal and interest repayments on local bonds (excluding advanced redemption, etc.) and the real debt service amount, including items corresponding to debt service expenses, such as disbursements to public enterprise bonds, minus that portion of the local allocation tax allotted for this purpose to the total of the standard financial amount and the issuable extraordinary financial countermeasures bond amount. It is used to determine organizations that require consultations or permission to issue bonds. If the ratio is over 18%, the organization needs permission to issue bonds; if it is over 25%, the issue of certain kinds of local bonds is restricted; and if it is over 35%, the restrictions are tightened even more. It is also considered as a Ratio for Determining Soundness in “Law Relating to the Financial Soundness of Local Governments.” The early financial soundness criterion and the financial rebuilding criterion account for 25% and 35%, respectively.

## Trends in the Debt Service Payment Ratio Used for Permission to Issue Local Bonds



### \*Debt service payment ratio used for permission to issue local bonds

The debt service payment ratio used for permission to issue local bonds indicates the ratio of the total of local debt principal and interest and expenditure relating to debt-burden acts corresponding to debt service expenses, excluding the amount of advanced redemption, and also excluding the amount of general revenue resources calculated for this purpose that includes the local allocation tax, to the total of the standard financial amount and possible issue of extraordinary financial countermeasures bonds (excluding the amount of local allocation tax calculated for service payment).

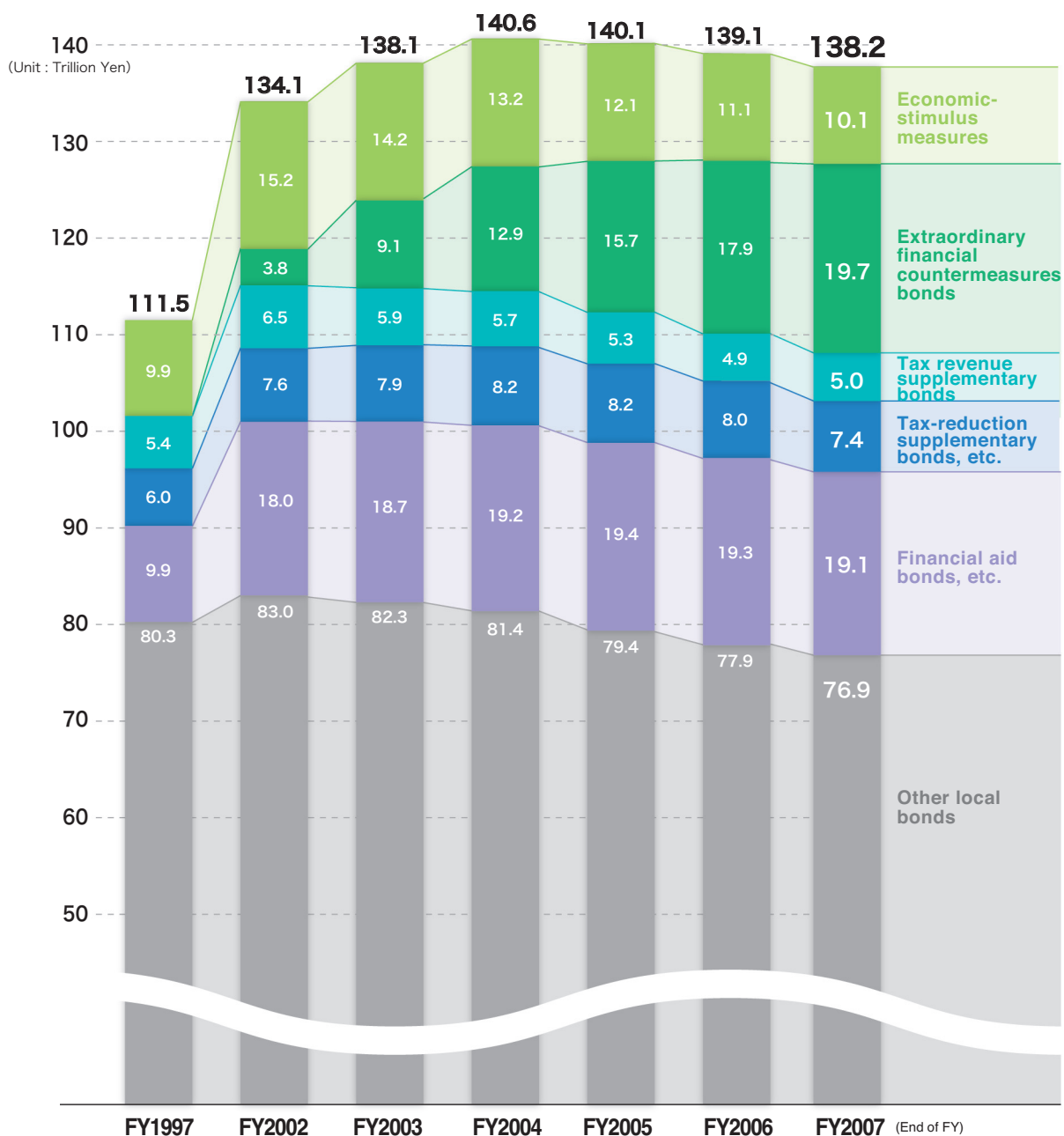
# Outstanding Local Government Borrowing (Ordinary Account)

What is the state of debts in local public finance?

## 1 Trends in Outstanding Local Government Borrowing

Outstanding local government borrowing, the debts of local governments, amounted to approximately ¥138 trillion at the end of fiscal 2007. This figure has been increasing in recent years because of such factors as the need to supplement tax revenue as a result of tax cuts and the issue of extraordinary financial countermeasures bonds.

The figure is 1.5 times larger than total revenue and about 2.3 times larger than the total sum of general revenue resources, such as local taxes and local allocation tax.



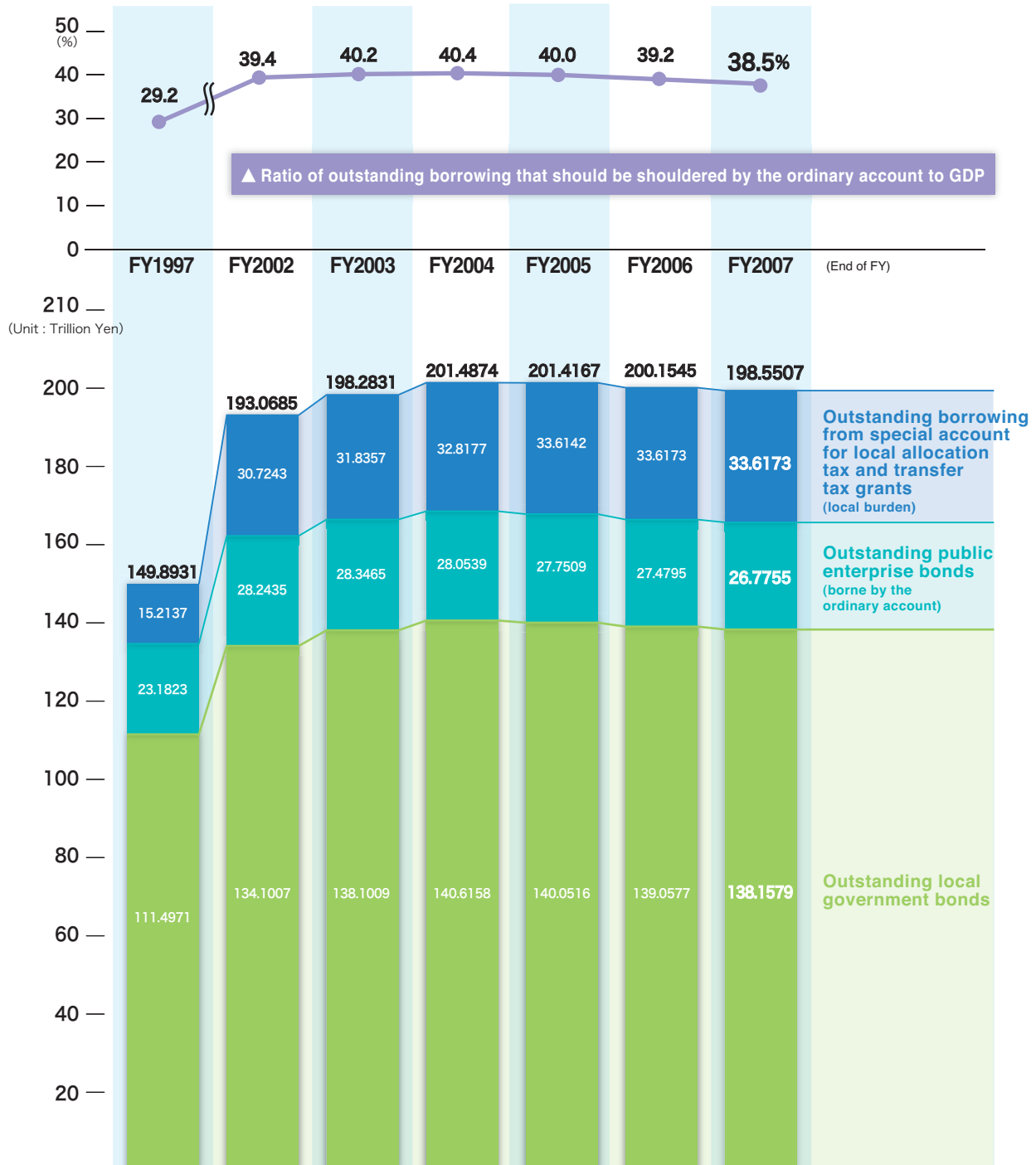
**Notes:**

1. Outstanding local government borrowing excludes special fund public investment bonds.
2. Economic-stimulus figures are estimates.

## 2 Outstanding Borrowing of Local Finance

Also, the outstanding borrowing of local public finance, which includes the local burden of borrowing from the special account for local allocation tax and transfer tax grants and those public enterprise bonds borne by the ordinary account, as well as current outstanding local government bonds, remains at a high level, amounting to approximately ¥199 trillion at the end of fiscal 2007.

### Trends in Outstanding Borrowing That Should Be Shouldered by the Ordinary Account and Ratio of Outstanding Borrowing to Gross Domestic Product



**Notes:**

1. Outstanding local government borrowing excludes special fund public investment bonds.
2. Outstanding public enterprise bonds (borne by the ordinary account) are estimates based on settlement account statistics.

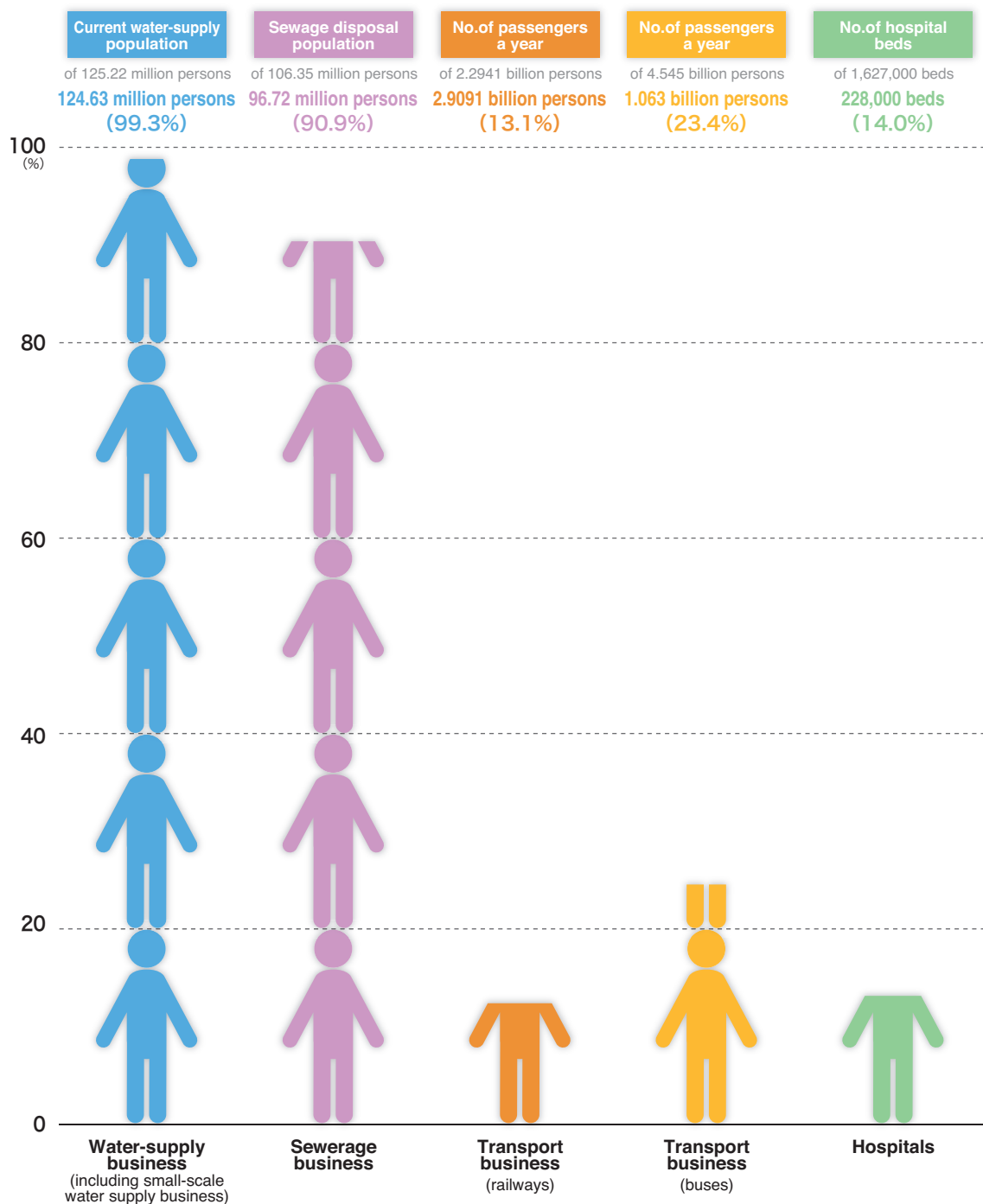
# Local Public Enterprises

## What is the state of local public enterprises?

Local public enterprises are managed directly by local governments for the purpose of social and public benefit. They provide social infrastructure and services indispensable for local residents and the development of the community, including water supply, sewerage, transport and hospitals.

### 1 Ratio of Local Public Enterprises

Local public enterprises play a major role in improving the standard of living of residents.

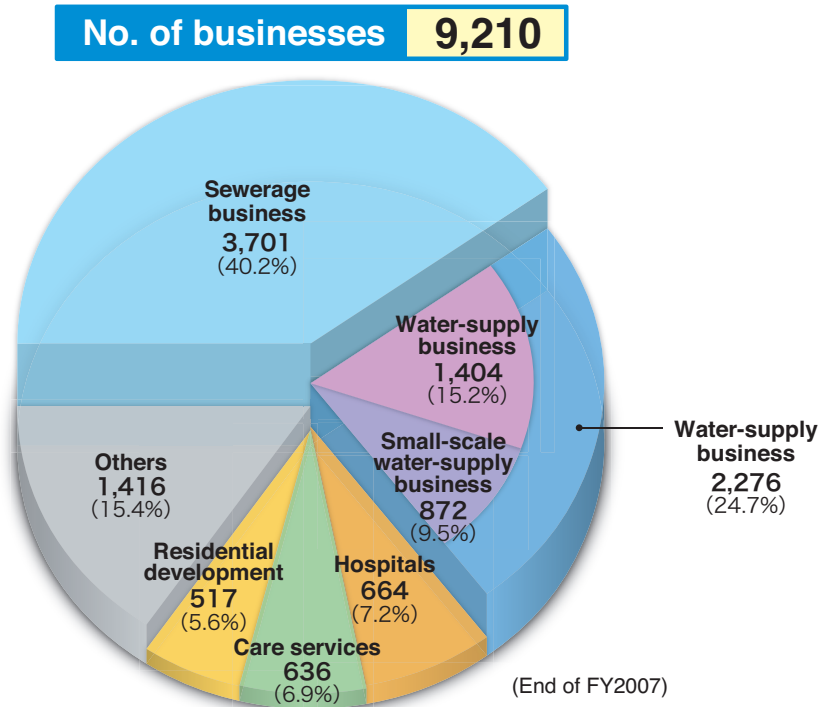


#### Notes:

1. The graph shows the ratio of local public enterprises when the total number of business entities nationwide is taken as 100.
2. Figures for the total number of enterprises nationwide are compiled from statistical materials of related organizations; figures for local public enterprises are compiled from figures for the total number of enterprises and settlements for the previous fiscal year.

## 2 Number of Businesses Operated by Local Public Enterprises

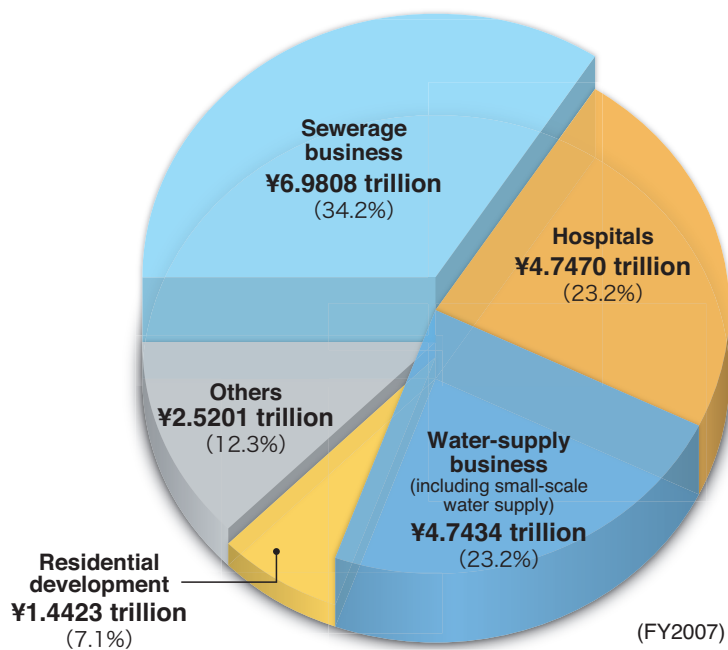
The number of businesses is 9,210. By type of business, sewerage accounts for the largest ratio, followed in order by water supply, hospitals, and care services.



## 3 Scale of Financial Settlement

The total financial settlement scale is ¥19.3012 trillion. By type of business, sewerage accounts for the largest ratio, followed in order by hospitals, water supply, and Residential development.

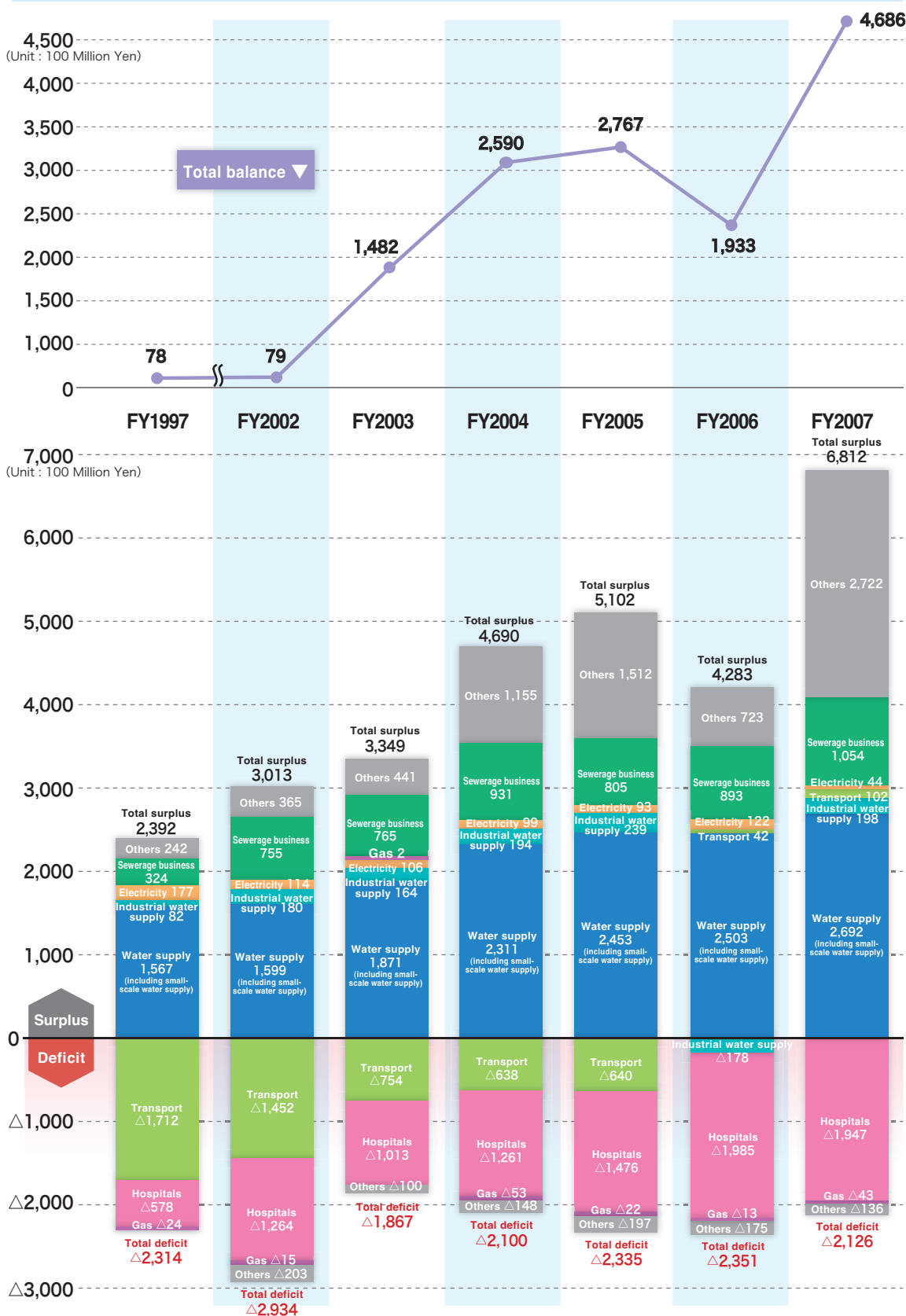
### Scale of Financial Settlement ¥20.4336 trillion



## 4 Management Conditions

Local public enterprises had a surplus of ¥468.6 billion. By type of business, while water supply, electricity, and sewerage showed a surplus, hospitals are continuing to register a deficit.

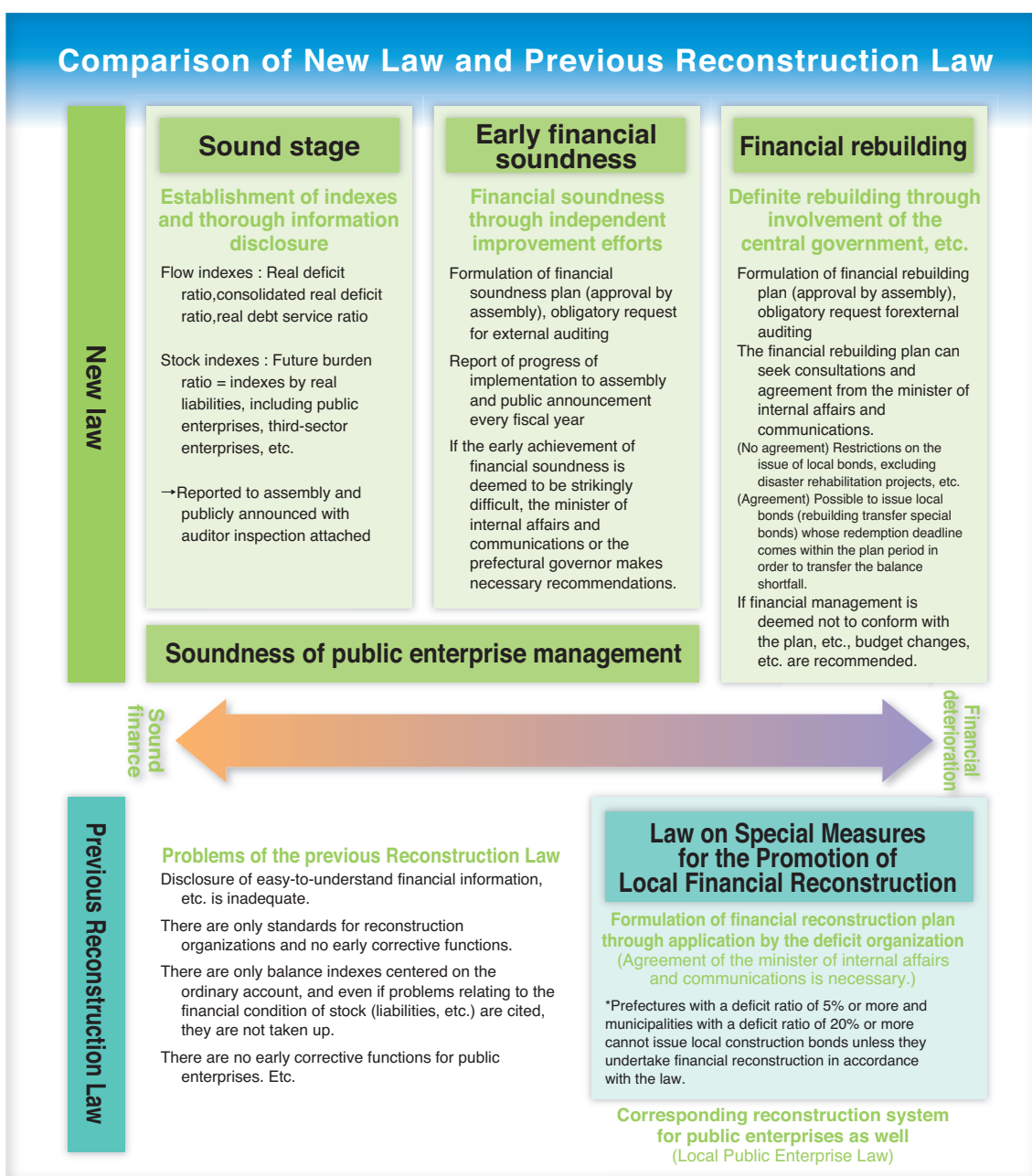
### Trends in Management Conditions of Local Public Enterprises



# Promotion of Soundness of Local Public Finance

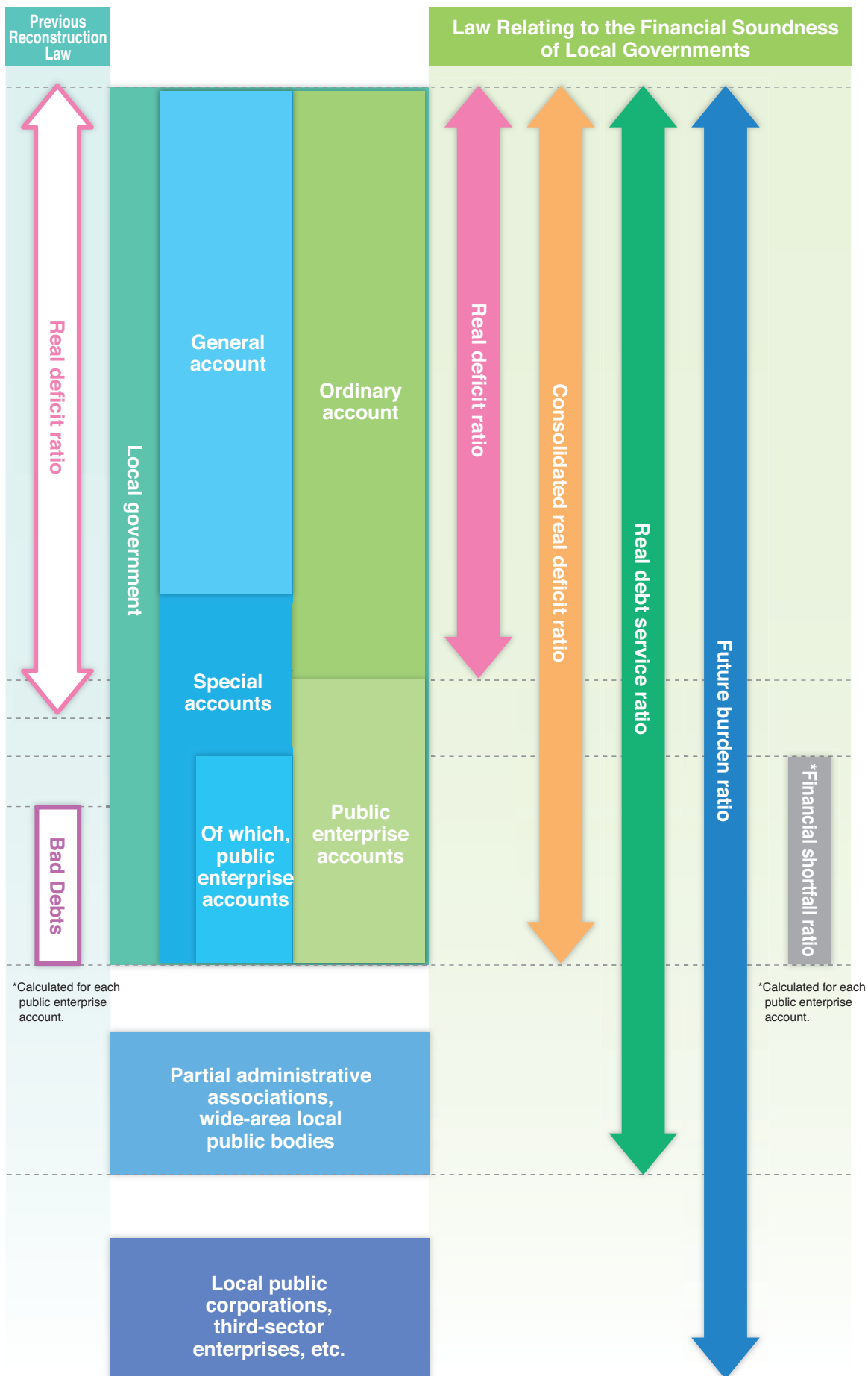
## 1 Law Relating to the Financial Soundness of Local Governments, etc.

Amid severe financial conditions caused by such factors as the redemption of local bonds and the advance of aging, local governments are required to conduct autonomous financial management that takes into account the needs of local residents. Furthermore, it is extremely important to establish the financial discipline of local governments in order to promote decentralization from now on. The conventional system for the reconstruction of local government finances only used flow indexes for the real deficit, such as the general account, and various problems were pointed out, such as the fact that this was a mechanism for reconstruction through application. Therefore, the present system of local government financial reconstruction was drastically revised for the first time in about 50 years, and in June 2007 the Law Relating to the Financial Soundness of Local Governments (2007, Law No. 94) has been enacted as a new system to thoroughly establish and disclose financial indexes and to strive for the early soundness and rebuilding of financial affairs. Financial indexes have been in force since April 2008 and regulations concerning the duty to formulate financial soundness plans, etc., have come into force since April 2009.





# Subject of Ratio for Determining Soundness



## Outline of Ratio for Determining Soundness

$$\text{Real deficit ratio} = \frac{\text{real deficit of general account, etc.}}{\text{standard financial scale}}$$

- **Real deficit of general account, etc.:** Amount of real deficit in account corresponding to ordinary account among general account and special accounts
- **Amount of real deficit** = amount of advanced appropriation + (amount of deferred payment + amount of business balance carried forward)

$$\text{Consolidated real deficit ratio} = \frac{\text{consolidated real deficit}}{\text{standard financial scale}}$$

**Consolidated real deficit:** If the total amount of A and B exceeds the total amount of C and D, such exceeding amount

- A. Among general account and special accounts excluding public enterprises (enterprises regulated and enterprises not regulated by the Local Public Enterprise Law), the total amount of real deficit of accounts subject to real deficit
- B. Among special accounts of public enterprises, the total amount of deficit of funds of accounts subject to deficit of funds
- C. Among general account and special accounts excluding public enterprises, the total amount of real balance surplus of accounts subject to real balance surplus
- D. Among special accounts of public enterprises, the total amount of surplus of funds of accounts subject to surplus of funds

$$\text{Real debt service ratio (3-year average)} = \frac{\text{(redemption of principal and interest of local bonds + quasi-redemption of principal and interest) - (special revenue sources + amount included in standard financial requirements pertaining to redemption of principal and interest and quasi-redemption of principal and interest)}}{\text{standard financial scale - (amount included in standard financial requirements pertaining to redemption of principal and interest and quasi-redemption of principal and interest)}}$$

**Quasi-redemption of principal and interest: Total amount of A to E**

- A. Amount corresponding to annual redemption of principal in a case of principal equal amortization where the redemption period is 30 years regarding bullet local bonds
- B. Among the transfers from the general account, etc. to special accounts other than the general account, etc., the amount acknowledged to be appropriated for revenue resources for the redemption of public enterprise bonds
- C. Among the burdens and subsidies to associations/local development corporations (“associations, etc.”), the amount acknowledged to be appropriated for revenue resources for the redemption of local bonds issued by the associations, etc.
- D. Expenditure based on liabilities that can be treated similarly to debt service among the expenditures based on debt burden
- E. Interest of temporary loan

$$\text{Future burden ratio} = \frac{\text{future burden amount - (amount of appropriable funds + estimated amount of special revenue sources + amount expected to be included in standard financial requirements pertaining to outstanding local government bonds, etc.)}}{\text{standard financial scale - (amount included in standard financial requirements pertaining to redemption of principal and interest and quasi-redemption of principal and interest)}}$$

**Future burden amount: Total amount of A to H**

- A. Outstanding local government bonds as of end of fiscal year previous to relevant fiscal year of general account, etc.
- B. Expected amount of expenditure based on debt burden (those pertaining to the expenses of each item under Article 5 of the Local Finance Law)
- C. Estimated amount of transfer from the general account, etc. to be appropriated to the redemption of principal of local bonds of accounts other than the general account, etc.
- D. Estimated amount of burden, etc. of the local government concerned to be appropriated for the redemption of principal of local bonds of the associations, etc. of which the local government concerned is a member
- E. Among the expected amount of retirement allowance to be paid (amount of allowance that will be paid to all employees at the term end), the estimated amount of burden of the general account, etc.
- F. Among the amount of debts of certain corporations established by the local government and among the amount of debt burden in the case of bearing the debts for such certain corporations, the estimated amount of burden of the general account, etc. giving consideration to the financial and business condition of the such corporations, etc.
- G. Consolidated real deficit
- H. Among the amount corresponding to the consolidated real deficit of the associations, etc., the estimated amount of burden of general account, etc.

**Amount of appropriable funds: Funds under Article 241 of the Local Autonomy Law that can be appropriated for the amount of redemption, etc. of A to F**

$$\text{Financial shortfall ratio} = \frac{\text{deficit of funds}}{\text{size of business}}$$

**Deficit of funds:**

**Deficit of funds (enterprises regulated by the law)** = (current liabilities + outstanding local government bonds issued to be appropriated for revenue resources of expenses other than construction and improvement expenses, etc. - current assets) – resolvable amount of financial shortfall

**Deficit of funds (enterprises not regulated by the law)** = (amount of advanced appropriation + amount of deferred payment and amount of business balance carried forward + outstanding local government bonds issued to be appropriated for revenue resources of expenses other than construction and improvement expenses, etc.) – resolvable amount of financial shortfall

\*Resolvable amount of financial shortfall: A fixed amount to be deducted from the deficit of funds when there are circumstances where deficit of funds will arise due to the nature of the project or structurally for a given period of time after the commencement of the project.

\*Public enterprises that are engaged in residential land development projects are subject to a special exception concerning the calculation of the current assets pertaining to the assessment of the land, etc.

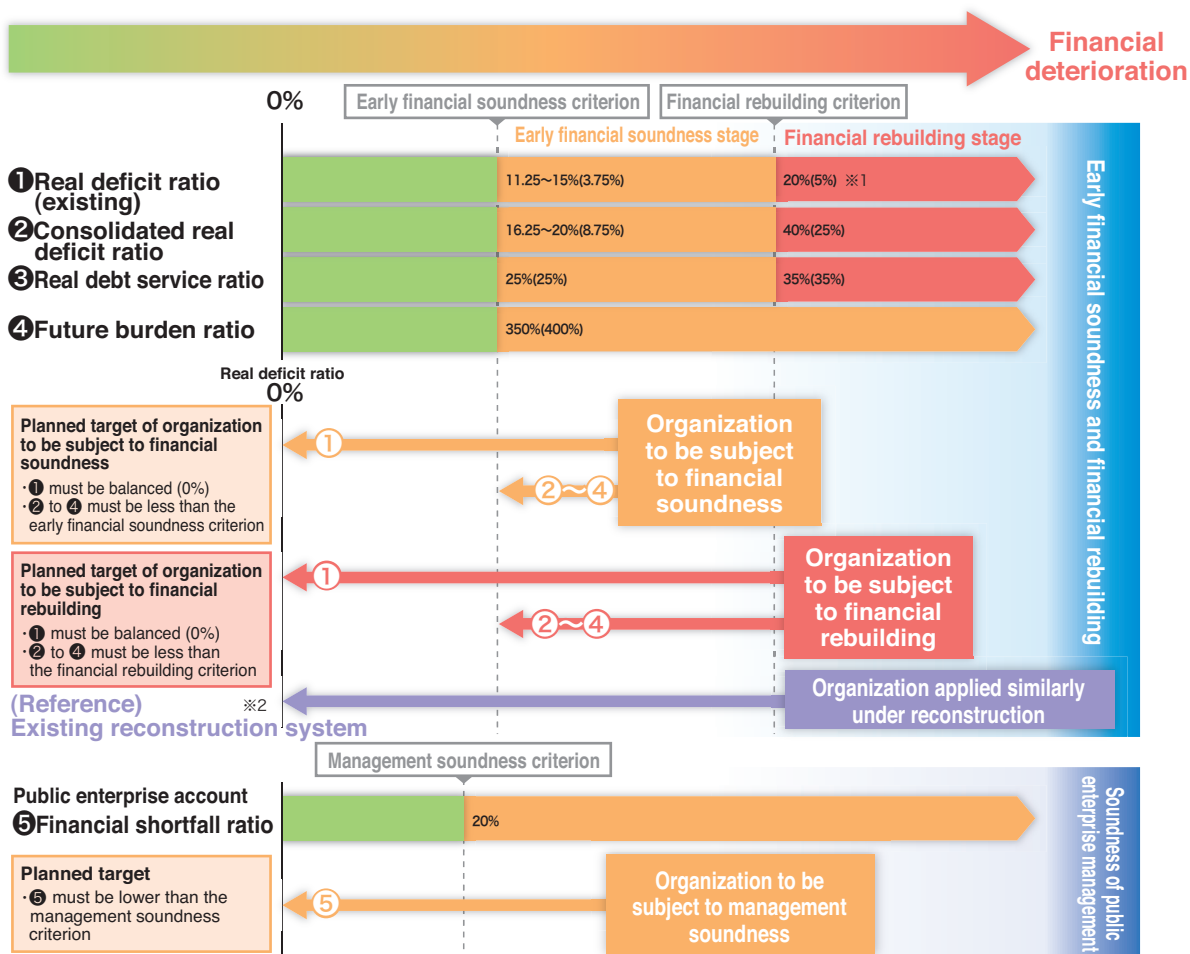
**Size of business : Size of business (enterprises regulated by the law)** = amount of operating revenue – amount of consigned construction profit

**Size of business (enterprises not regulated by the law)** = amount of profit corresponding to operating revenue – amount of profit corresponding to consigned construction profit

\*Public enterprises adopting the designated administrator system (usage fee system) are subject to a special exception concerning the amount of operating revenue.

\*The size of business of public enterprises that are only engaged in residential land development projects shall be the total amount of capital and debts that show the “financial resource scale for business management” (scale of procured funds).

# Image of Early Financial Soundness, Financial Rebuilding and Soundness of Public Enterprise Management



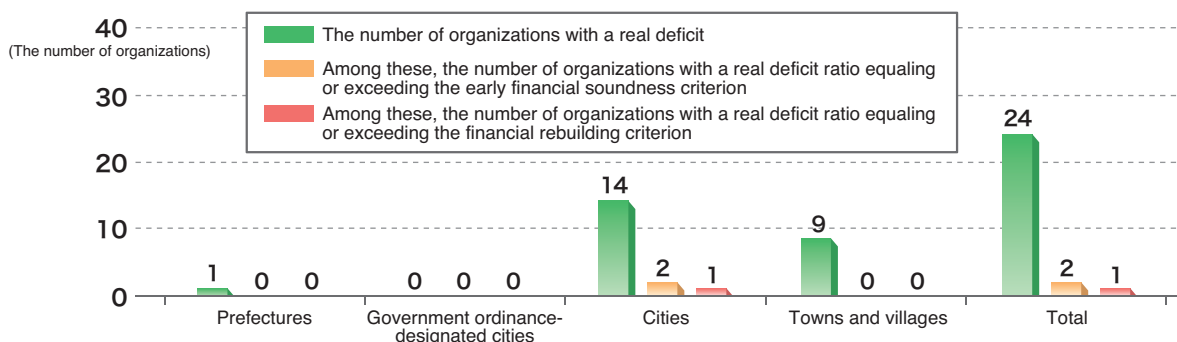
\*1 The figures without parenthesis are the criteria for municipalities; the figures in parenthesis are the criteria for prefectures.  
 \*2 Under the previous Reconstruction Law, an organization under reconstruction is required to ensure equilibrium of the real balance.

## 2 State of the Ratio for Determining Soundness and the Financial Shortfall Ratio

### 1 Real Deficit Ratio

The following table illustrates the state of the real deficit ratio based on fiscal 2007 account settlements. Twenty-four organizations come under the category of organizations with a real deficit (i.e. with their real deficit ratio exceeding 0%). Among these, there are two organizations whose real deficit ratio equals or exceeds the early financial soundness criterion. Furthermore, the real deficit ratio of one of the two organizations equals or exceeds the financial rebuilding criterion.

#### State of the Real Deficit Ratio

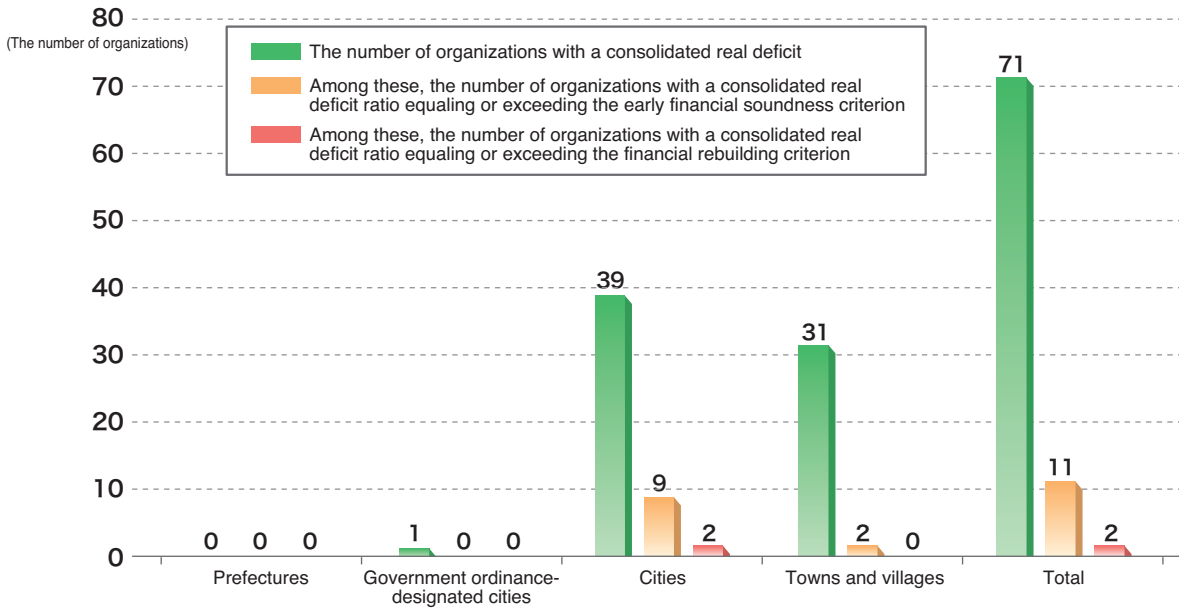


## 2 Consolidated Real Deficit Ratio

The following table illustrates the state of the consolidated real deficit ratio based on fiscal 2007 account settlements.

Seventy-one organizations come under the category of organizations with a consolidated real deficit (i.e. with their consolidated real deficit ratio exceeding 0%). Among these, there are 11 organizations whose consolidated real deficit ratio equals or exceeds the early financial soundness criterion. Furthermore, the consolidated real deficit ratio of two of the 11 organizations equals or exceeds the financial rebuilding criterion.

### ▼State of the Consolidated Real Deficit Ratio

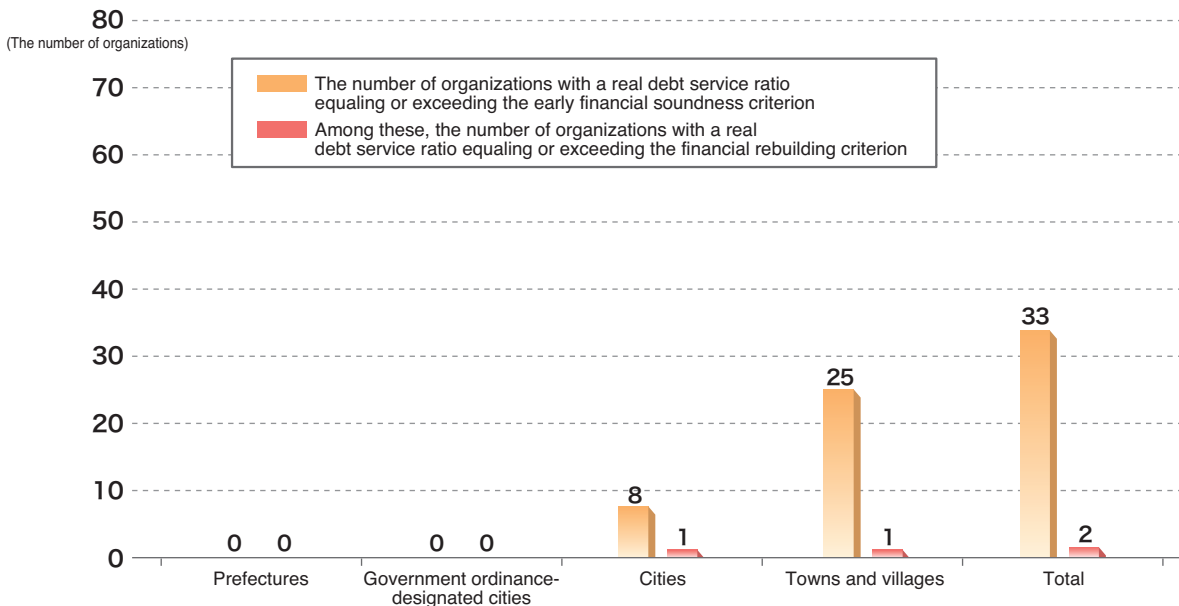


## 3 Real Debt Service Ratio

The following table illustrates the state of the real debt service ratio based on fiscal 2007 account settlements.

There are 33 organizations whose real debt service ratio equals or exceeds the early financial soundness criterion. Among these, there are two organizations whose real debt service ratio equals or exceeds the financial rebuilding criterion.

### ▼State of the Real Debt Service Ratio

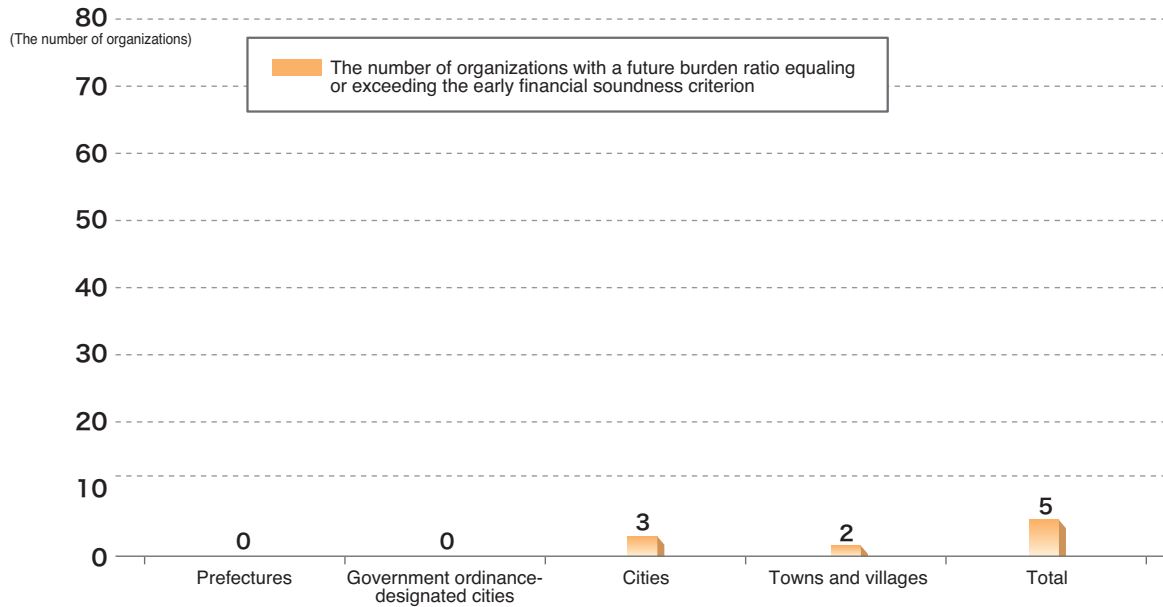


## 4 Future Burden Ratio

The following table illustrates the state of the future burden ratio based on fiscal 2007 account settlements.

There are five organizations whose future burden ratio equals or exceeds the early financial soundness criterion.

### ▼State of the Future Burden Ratio

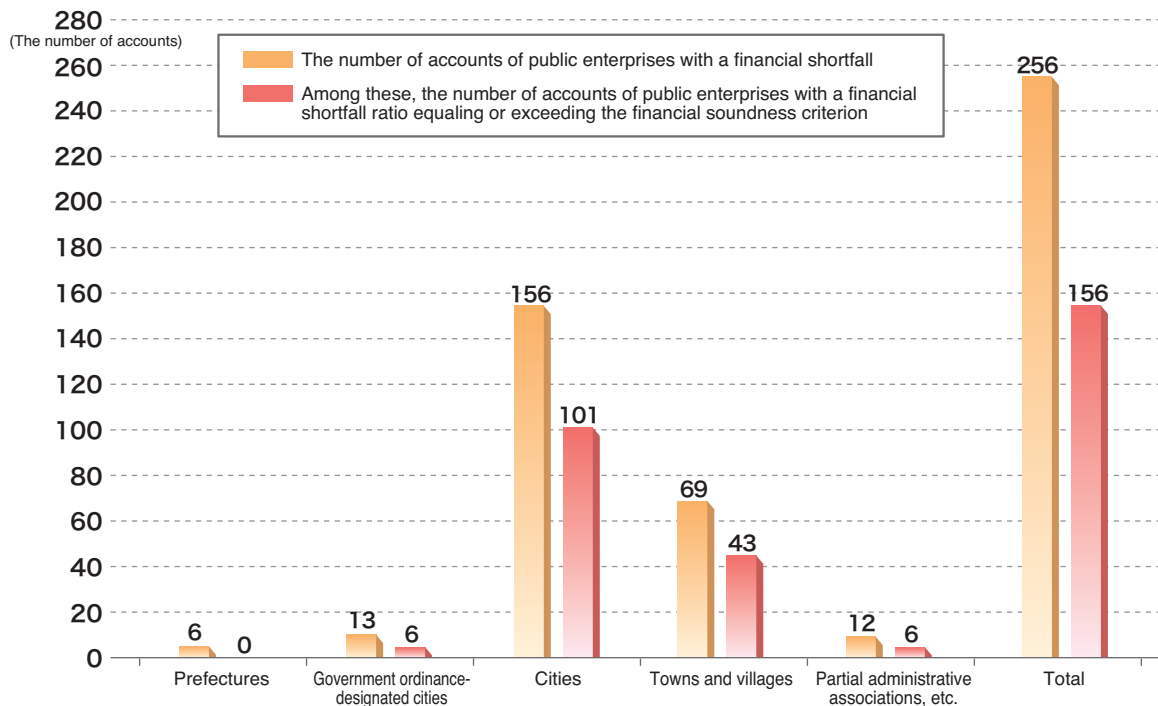


## 5 Financial Shortfall Ratio

The following table illustrates the state of the financial shortfall ratio based on fiscal 2007 account settlements.

The accounts of 256 public enterprises come under the category of accounts with a financial shortfall (i.e. with their financial shortfall ratio exceeding 0%). Among these, there are 156 accounts whose financial shortfall ratio equals or exceeds the financial soundness criterion.

### ▼State of the Financial Shortfall Ratio (Number of Accounts by Type of Organization)



# Trends and Issues in Local Public Finance

## 1 Promotion of Decentralization Reforms

The decentralization reforms aim to establish “local governments” based on the basic policy of consistently placing local autonomous entities in charge of public administration that is closely related to the residents from planning and decision-making through to enforcement as far as possible, while making efforts to thoroughly review the sharing of roles between the central and local governments. Based on the Law for the Promotion of Decentralization Reform (2006, Law No. 111), the Decentralization Reform Promotion Committee was set up within the Cabinet Office, Government of Japan in April 2007. The Committee announced an “Interim Report” on November 16, 2007, and then compiled and submitted its “Initial Recommendations” to the Prime Minister on May 28, 2008.

### Decentralization Reform Promotion Committee “Initial Recommendations” Outline (May 28, 2008)

#### [Chapter 1] Basic Concept of the Sharing of Roles between the Central and Local Governments

##### ① Philosophy and issues of the current and future decentralization reforms towards the concept of “Local Communities Play the Leading Part in Nation Building”

- Transfer of powers for the establishment of local governments
- Realization of completely autonomous entities
- Assurance of the comprehensiveness of governments
- Revitalization of local communities
- Improvement of the capabilities required for assuming autonomous control

##### ② Review of the sharing of roles between the central and local governments

- Review of the classification of the sharing of roles between the central and local governments in accordance with the current state of the types of role-sharing (overlapping types, shared types, layered types, involvement types, and exclusively centralized types) from the viewpoint of eliminating the “duplication of public administration by the central and local governments” and placing local governments in charge of public administration that is closely related to the local residents

##### ③ Role sharing between wide-area autonomous entities and basic autonomous entities (the priority principle of basic autonomous entities)

- Promotion of the transfer of powers from the prefectures to the municipalities based on progress in the mergers among municipalities, etc.

#### [Chapter 2] Drastic Review of Priority Administrative Areas (Major Issues)

##### Areas related to lifestyle building

- ① Unification of kindergartens and nursery schools / Children
- ② Education
- ③ Medical care
- ④ Public assistance
- ⑤ Welfare and public housing
- ⑥ Public health centers
- ⑦ Labor

##### Areas related to town building

- ① Land use (urban planning, farmland, etc.)
- ② Roads
- ③ Rivers
- ④ Disaster prevention
- ⑤ Transportation and tourism
- ⑥ Commerce and industry
- ⑦ Agriculture
- ⑧ Environment

#### [Chapter 3] Transfer of Powers to Basic Autonomous Entities and The expansion of the degree of freedom

##### ① Promotion of the transfer of powers to basic autonomous entities

- The transfer of authority from the prefectures to the municipalities under 64 laws and 359 administrative authorizations

**② More flexible disposition (diversion, assignment, etc.) of an object property for a subsidy**

- In principle, for the disposition of a property after a lapse of 10 years it is not required to make any payments to the national treasury and is to be handled under the reporting system
- The disposition of property due to a disaster or a merger among municipalities and so on deserves full consideration, even before a lapse of 10 years

**[Chapter 4] Two Important Issues of the Day****① The issue of turning special revenue resources for road construction into general revenue resources**

- When considering their reclassification into general revenue resources, both the enhancement of local tax revenues including the transfer of tax revenues and measures for giving local governments greater freedom to improve local roads should be studied

**② Unification of consumer administration**

- Clarification of the legal status of Consumer Affairs Centers, and drastic measures to support the efforts of local autonomous entities
- Powers should be broadly transferred to prefectures in terms of report collection, on-site inspections and orders for improvement in the case of an accident

**[Chapter 5] Issues to be Studied in relation to the Second Recommendation****① Basic direction for reforming the outpost agencies of the central government****② Cross-sectional review of legal frameworks (obligations, framing, etc.)**

Based on the “Initial Recommendation,” the government decided on the “Decentralization Reform Promotion Platform (The First Version)” on June 20, 2008.

The Decentralization Reform Promotion Committee continued its investigations and deliberations, and then compiled and submitted the “Second Recommendation” to the Prime Minister on December 8, 2008.

**Decentralization Reform Promotion Committee the “Second Recommendation” Outline (December 8, 2008)****[Chapter 1] Review of Obligations and Framing****① Basic concept of the review**

- Establishment of “local governments” as “completely autonomous entities” with autonomous administrative powers, autonomous legislative powers, and autonomous financial powers
- Enhancement of ordinance-making powers, including expansion of the scope of areas where national laws and regulations can be “overwritten”
- Autonomy of local autonomous entities to become enhanced through greater freedom from the legal viewpoint; construction of schemes based on which local authorities execute public administration on their own responsibility

**② Policy for review****(a) Scope setting for both obligations and framing**

- Autonomous affairs that are obligated and/or framed by national laws and regulations, with no room allowed for any autonomous decisions on the basis of ordinances (approximately 10,000 provisions)

**(b) Specific policy for review**

- Provisions that do not meet the criteria for judgment that need to be reviewed in either of the following ways:

- (1) Abolishment (inclusive of making a certain provision into just a recommendation)
- (2) Comprehensive transfer of procedures, criteria for judgment and so on in relation to ordinances or permissions of the corresponding ordinance revisions (“overwrite”)
- (3) Partial transfer of procedures, criteria for judgment and so on in relation to ordinances or permissions of the corresponding ordinance revisions (“overwrite”)

The review should be conducted in the order from (1) to (3) above.

- (c) Criteria for judgment setting in cases where the continuation of obligations and/or framing is allowed.

**③ Judgment as to whether or not the provisions meet the criteria for judgment.**

- Among the entire provisions concerning obligations and/or framing (approx. 10,000 provisions)

Provisions that meet the criteria for judgment 51.8%; Provisions that do not meet the criteria for judgment 48.2%

- Among 184 provisions concerning recommendations and the like by the National Governors’ Association and/or the Japan Association of City Mayors

Provisions that meet the criteria for judgment 8.3%; Provisions that do not meet the criteria for judgment 91.7%



## [Chapter 2] Review of the Outpost Agencies of the Central Government

### ① Basic concept

- Review of role sharing between the central and local governments (to place local governments in charge of public administration that is closely related to the residents)
- Complete elimination of the adverse effects of duplicate public administration
- Simplification and streamlining of public administration through the central and local governments
- Schemes to make public administration more visible to local residents
- Revitalization of local communities; Regional development

### ② Review of administrative work and powers

"Concept of the Classification of the Administrative Work and the Powers of Outpost Agencies of the Central Government," which was pointed out in the Initial Recommendation and specified in the Interim Report

Classification of the administrative work and the powers of target agencies

- The administrative work and powers from among which abolishment (including privatization and transformation into independent administrative institutions) should be considered
- The administrative work and powers from among which the transfer to local governments should be considered

Review of the administrative work and the powers concerning 116 provisions related to 15 systems of 8 government ministries

### ③ Review of organizations

(1) Review of organizations in response to a review of the administrative work and powers

- Review of organizations from the viewpoint of redressing the adverse effects of duplicate public administration
- Continuation of existing organizations in cases where there is no adverse effect from duplicate public administration

(2) Schemes for collaboration with other regions and/or to ensure governance

- Setting up of consultative organizations between comprehensive outpost agencies and local autonomous entities
- Schemes to ensure the adequacy and transparency of public works

### ④ Towards realization of the reform of outpost agencies

- In line with the recommendations, the government has been requested both to formulate a plan within fiscal 2008, which is designed to show progress in the schedule toward the realization of the reforms, and to construct a system for their promotion.
- With respect to separate consultations concerning the transfer of control over roads and rivers between the nation and prefectures, including zones, etc., requested by the prefectures, it has been requested that a prompt conclusion should be reached.
- These and future reform measures should aim for a reduction of approximately 35,000 staff in total among the employees of the outpost agencies.

### ⑤ The handling of employees and revenue resources should be in response to a review of the administrative work and powers

- Handling of the transfer of control over employees, etc.

Local governments need to secure human resources and the necessary revenue resources in response to the transfer of work to local governments.

Transfer of public employees, etc. in response to transfer of the administrative work and powers to local governments

Downsizing of staff in response to the abolishment or reduction in the administrative work and powers and the consolidation of organizations, etc.

⇒ Studies on schemes to facilitate smooth implementation

- Handling of the procurement of revenue resources ⇒ Continuing studies on securing the necessary revenue resources

## 2 Creation of Regional Power

On December 19, 2008, the Ministry of Internal Affairs and Communications formulated and disclosed its "Regional Powers Creation Plan," which features three main themes: (1) promotion of the self-sustaining settlement zone initiative; (2) promotion of "Coexistence with Nature" through regional collaboration; and (3) support for self-sustainability and the revitalization of disadvantaged regions. The Plan is designed to build vigorous regional communities while cherishing rich natural environments by humbly considering that "human beings are just members of the natural world." All of these are based on our nation's history and culture, which have embraced "Coexistence with Nature" as a basic concept since the Jomon Period. The following is an outline of the "Regional Powers Creation Plan."



## [Chapter 1] Promotion of the “Self-Sustaining Settlement Zone Initiative”

### ① Basic concept

A “central city” and its “surrounding cities, towns and villages” form a regional zone to meet settlement needs by utilizing their respective points of appeal such as the urban functions of the central city and the environment, history and culture of the surrounding cities, towns and villages.

### ② Procedures toward the formation of self-sustaining settlement zones



### ③ Vision for Coexistence within Self-Sustaining Settlement Zones

- ① The central city declares its will to play a central role in the management, etc., of the entire region, while also considering the opinions of the surrounding cities, towns and villages.
- ② On a face to face basis, the central city and its surrounding cities, towns and villages conclude an agreement on collaborative efforts from the viewpoints of “life functions,” “linkages and networks” and “zone management capabilities,” after a resolution made by the respective councils involved.  
Examples: Medical care, welfare, regional public transportation, ICT infrastructure development, human resources development, etc.
- ③ Formulation of the Vision for Coexistence within Self-Sustaining Settlement Zones, which stipulates the zone’s future vision and concrete efforts that are to be promoted.

## [Chapter 2] Promotion of “Coexistence with Nature” through Regional Collaboration

### ① Basic concept

- Reinforcement of the linkage between urban and local areas by encouraging urban residents to become involved in hands-on activities related to the protection of the natural environment (conservation of forests and/or water sources) in local areas
- Realization of one of the world’s leading low carbon societies by promoting national land conservation measures and global warming countermeasures in local autonomous entities

### ➔ Promotion of “Coexistence with Nature”

### ② Specific efforts

- (1) Transfer of workers from urban areas to rural villages
- (2) Agreements towards “Coexistence with Nature”
- (3) Realization of a low carbon society by means of “Coexistence with Nature”

## [Chapter 3] Support for Self-sustainability and the Revitalization of Disadvantaged Regions

### ① Basic concept

- Depopulated regions have been supporting urban areas through disaster prevention, the sustenance of water sources, safe and secure food supplies, CO2 absorption by forests, and so on.
- Meanwhile, there are many problems, including depopulation, aging of the rural population, the lack of convenient transportation, a shortage of physicians, and villages that are hardly sustainable.

### ➔ There is a need to realize a Japanese type of society where disadvantaged regions and urban areas can coexist

### ➔ There is a need to ensure a safe and secure livelihood for the entire Japanese people, including urban residents

### ② Specific efforts

Support for self-sustainability and the revitalization of disadvantaged regions will be steadily promoted.

- Assurance of systems to provide regional medical care
- Promotion of remote medical care through model projects
- Resolution of the digital divide
- Measures to maintain and revitalize villages
- Promotion of both migration from urban areas to local areas and exchanges between urban and local areas

### 3 Promotion of Administrative Reform

#### (1) Intensive Reform Plans

In order to thoroughly promote local administrative reform, the Ministry of Internal Affairs and Communications has compiled “New Guidelines for the Promotion of Administrative Reform in Local Governments” (New Local Administrative Reform Guidelines) and notified local governments of these on March 29, 2005.

As a result, local governments have compiled and disclosed intensive reform plans indicating specific efforts, such as the reorganization and arrangement of administrative work and projects and the promotion of private-sector consignment, to be undertaken in general until fiscal 2009.

With respect to the disclosure status of intensive reform plans as of December 1, 2008, 47 prefectures (all prefectures), 17 government ordinance-designated cities (all government ordinance-designated cities), and 1,788 municipalities (all municipalities excluding government ordinance-designated cities) have disclosed their respective plans. This means that all local governments have completed the formulation and disclosure of intensive reform plans during fiscal year 2008.

#### (2) Further Promotion of Administrative Reform

On August 31, 2006, the Ministry of Internal Affairs and Communications formulated its “Guidelines for the Further Promotion of Administrative Reform in Local Governments” and requested local governments to make positive efforts toward three reforms: the reform of total personnel expenses, reform of public services, and reform of local public accounting. As of April 1, 2008, 33 prefectures, 14 government ordinance-designated cities, and 1,133 municipalities have already reviewed their status in these respects.

##### Reform of total personnel expenses

- A further net reduction in the number of employees has been achieved bearing in mind the net reduction (down 5.7%) in the number of national public employees
- Promotion of salary reforms (as a reflection of regional private-sector salaries, further streamlining of salaries)
- Efforts to curb personnel expenditures by third-sector enterprises, etc.

##### Reform of public services

- Implementation of studies in the light of project classifications and overall inspection of the need for public services and implementing entities
- Setting of performance indexes related to the maintenance and improvement of public services and numerical targets related to expenditure reductions, etc., in the implementation of marketization tests

##### Reform of local public accounting (local asset and debt management reform)

- Promotion of the compilation of four documents: balance sheets, administrative cost statements, financial balance statements, and net asset fluctuation statements
- Formulation of the direction and specific measures for asset and debt reforms including promotion of the sale of unused assets, the effective utilization of assets, etc.

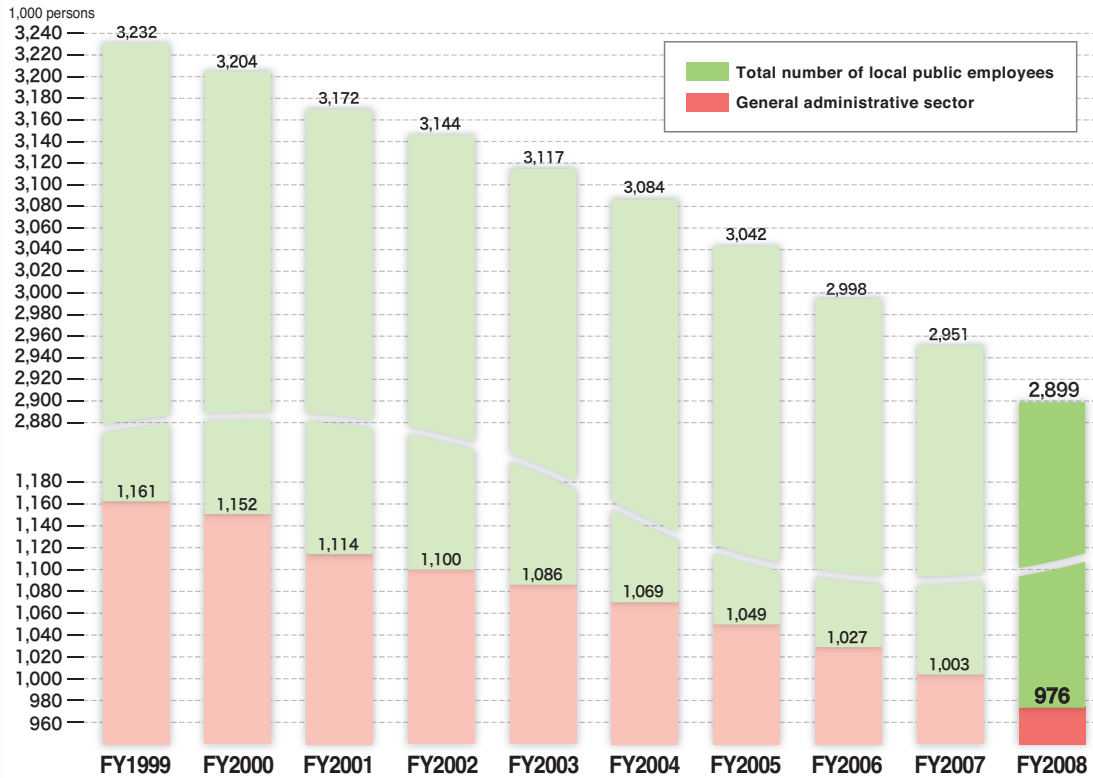
##### Formulation of Rules for Information Disclosure to Facilitate Comparisons and Appraisal Between Local Governments and the Strengthening of Resident Monitoring

- Enhancement of disclosure systems, including salary information
- Further promotion of financial information disclosure to enable comparisons between organizations
- Disclosure of the implementation process and implementation of the results of marketization tests
- Active appointment of outside personnel as auditors and the utilization of external auditing

## Reference Number of Public Employees

The number of local public employees has declined for 14 consecutive years since 1995. The number of employees has fallen for 13 consecutive years in the general administrative sector and for 7 consecutive years in the public enterprises sector.

### ▼Number of Local Public Employees

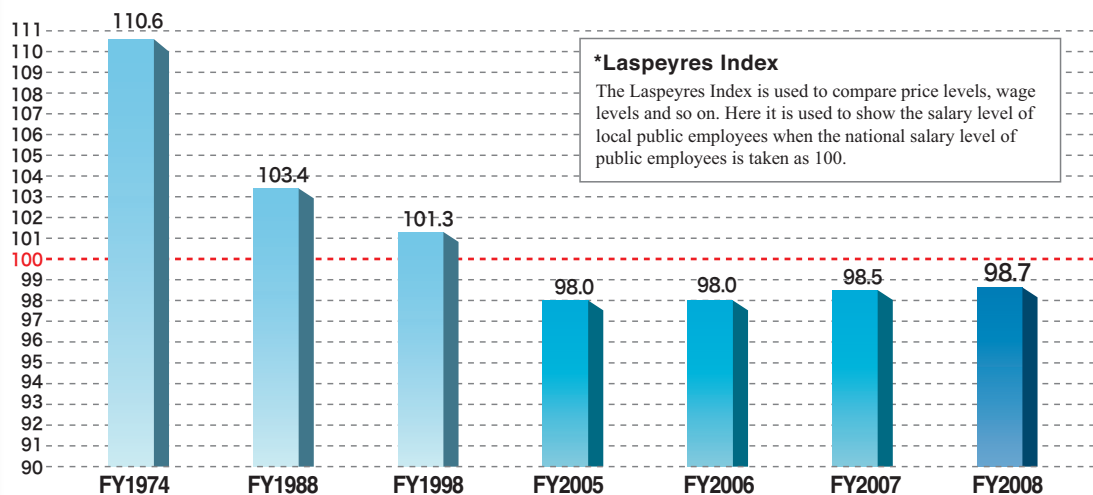


## Reference Salary Level

When the salary level of local public employees is shown on the Laspeyres Index\*, the average for all local governments is 98.7

In fiscal 2007, a total of 116 local governments adopted measures to correct wage levels, such as by a revision of salary scales, and a total of 618 local governments implemented a revision of various allowances and retirement allowances. In addition, 1,603 organizations (approximately 86%) of a total of 1,858 organizations had a Laspeyres Index of less than 100.

### ▼Trends in the Laspeyres Index (Trends in the Average for All Local Governments)



### (3) Promotion of Local Public Accounting Reform and Information Disclosure

#### A. Promotion of reform of local public accounting

With respect to the establishment of local public accounting, the Ministry of Internal Affairs and Communications requested local governments to make efforts toward disclosing information that is required for the compilation and formulation of financial documents based on “Guidelines for the Further Promotion of Administrative Reform in Local Governments.” In consideration of the fact of the formulation of the direction and specific measures for asset and debt reform by fiscal 2009 and the enforcement of “Law Relating to the Financial Soundness of Local Governments,” it is important for every local government to conduct certain asset valuation and compile financial documents by fiscal 2009.

Further enhancement of transparency in the financial conditions of local governments through the establishment of local public accounting is expected, and it is, therefore, important to disclose information to residents, etc., in an easy-to-understand manner. Among local governments that have taken the lead in establishing financial documents, some entities have prepared financial documents that concisely indicate the overall financial situation in an easy-to-understand manner.

#### Balance Sheet

● A balance sheet shows the state of assets/properties and the revenue resources for procurement as of the end of the fiscal year.

(Unit: ¥ million)

Assets	Amount	Liabilities	Amount
1.Non-financial assets	1,083,132	1.Non-current liabilities	469,992
(1)Assets for business	392,821	(1)Local government bonds	430,104
(2)Infrastructure assets	690,311	(2)Borrowing	0
		(3)Retirement allowance reserve	33,963
2.Financial assets	58,508	(4)Other non-current liabilities	5,925
(1)Funds	13,251		
(2)Receivables	20,101	2.Current liabilities	39,343
Accounts due	15,407	(1)Payments due	6,547
Loans	2,881	(2)Reserve for bonuses	1,693
Other	1,813	(3)Local government bonds redeemable in the following fiscal year	30,569
(3)Marketable securities	100	(4)Short-term borrowing	165
(4)Investments, etc.	25,056	(5)Other current liabilities	369
Capital investments	6,210	Liabilities total	509,335
Reserve funds/deposits	17,215	<b>Net assets</b>	<b>Amount</b>
Other investments	1,631		
		Net assets total	632,305
Assets total	1,141,640	Liabilities and net assets total	1,141,640

## Administrative Cost Statement

- An administrative cost statement shows the amount (cost) of administrative resources spent on administrative services during the year.

(Unit: ¥ million)

	<b>Amount</b>
<b>Ordinary expenditure</b>	248,872
1. Personnel expenses	41,358
(1) Employee salaries	25,598
(2) Pension expenditures	4,877
(3) Other related expenditures	10,883
2. Property expenses	25,620
(1) Supplies expenditures	5,130
(2) Depreciation expenses	12,174
(3) Maintenance and repair expenses	5,058
(4) Other related expenses	3,258
3. Cost of transfer expenditures	132,366
(1) Transfer expenditures including subsidies	74,200
(2) Social security benefits expenditures	13,602
(3) Other related expenditures	44,564
4. Costs, etc.	49,528
(1) Debt service (Interest paid)	11,068
(2) Consignment costs	20,256
(3) Other costs	18,204
Ordinary revenues (Usage fees, handling fees, part of various income sources, etc.)	45,891
Net ordinary administrative costs (Ordinary expenditures – Ordinary revenues)	202,981

## Net Asset Fluctuation Statement

- A net asset fluctuation statement shows the fluctuations of net assets calculated as the difference between assets and liabilities during the year.

(Unit: ¥ million)

	Amount
Net asset balance at the beginning of year	629,857
1.Fluctuations in the accounts regarding properties	△ 12,058
(1)Use of revenue resources	277,719
Net ordinary administrative costs	202,981
Formation of fixed assets	40,673
Formation of long-term financial assets	19,111
Other revenue resources	14,954
(2)Procurement of revenue resources	265,661
Tax revenues	80,435
Transfer income including subsidies	77,813
Contributions	44,825
Other revenue resources	62,588
2.Fluctuations in revenues to be appropriated for the formulation of assets	14,506
(1)Fluctuations in fixed assets	14,332
(2)Fluctuations in long-term financial assets	210
(3)Fluctuations in evaluation/exchange differences	△ 36
3.Fluctuations in other net assets	0
Net asset balance at the end of year	632,305

## Financial Balance Statement

- A financial balance statement shows the state of revenue and expenditure classified by the categories of ordinary administrative activities, public investments, and other administrative activities.

(Unit: ¥ million)

	Amount
1.Ordinary revenues and expenditures	40,470
2.Capital revenues and expenditures	△ 39,279
3.Financial revenues and expenditures	△ 4,323
Fund revenues and expenditures for this term	△ 3,132
Fund balance at the beginning of year	16,383
Fund balance at the end of year	13,251
Basic financial revenues and expenditures	1,191

With respect to the state of the compilation of financial documents, 46 prefectures (97.9%), 14 designated cities (82.4%), and 901 municipalities, excluding designated cities, (50.5%) answered “Compiled;” one prefecture (2.1%), three designated cities (16.7%), and 453 municipalities excluding designated cities (25.4%) answered “Being compiled;” and 429 municipalities excluding designated cities (24.1%) answered “Not yet compiled” as a result of a survey as of March 31, 2009.

Among the local governments that have compiled or are compiling financial documents, 14.9% of prefectures, 41.2% of designated cities, and 44.8% of municipalities excluding designated cities have compiled or are compiling these documents in accordance with the new local public accounting model (either the “reference model” or the “MIC system revised model”).

## State of Compilation of Financial Documents of local governments

State of compilation of financial documents pertaining to settlement of FY 2007

(Unit: Organization, %)

	Prefectures		Municipalities					
			Designated cities		Municipalities excluding designated cities			
<b>Compiled</b>	46	(97.9%)	915	(50.8%)	14	(82.4%)	901	(50.5%)
Reference model	0	(--)	11	(1.2%)	0	(--)	11	(1.2%)
MIC system revised model	6	(13.0%)	201	(22.0%)	4	(28.6%)	197	(21.9%)
MIC system	37	(80.4%)	686	(75.0%)	10	(71.4%)	676	(75.0%)
Other	3	(6.5%)	17	(1.9%)	0	(--)	17	(1.9%)
<b>Being compiled</b>	1	(2.1%)	456	(25.3%)	3	(17.6%)	453	(25.4%)
Reference model	0	(--)	26	(5.7%)	2	(66.7%)	24	(5.3%)
MIC system revised model	1	(100.0%)	376	(82.5%)	1	(33.3%)	375	(82.8%)
MIC system	0	(--)	49	(10.7%)	0	(--)	49	(10.8%)
Other	0	(--)	5	(1.1%)	0	(--)	5	(1.1%)
<b>Not yet compiled</b>	0	(--)	429	(23.8%)	0	(--)	429	(24.1%)
<b>Total</b>	47	(100.0%)	1,800	(100.0%)	17	(100.0%)	1,783	(100.0%)



## B. Promotion of Information Disclosure

Amid the increasing severity of local public finance, various efforts are being made to fulfill accountability. In order for each local government to promote financial soundness while gaining the understanding and cooperation of residents, etc., the Ministry of Internal Affairs and Communications has compiled “expenditure comparative analysis tables” and “financial comparative analysis tables,” etc. and posted them on its homepage with the aim of disclosing information to residents, etc. in an easy-to-understand manner based on forms that are comparable with those of other local governments.

### ① Expenditure Comparative Analysis Table

From the settlement of FY 2006, it is expected that the formulation and disclosure of “expenditure comparative analysis tables” for conducting a comparative analysis of expenditures among similar organizations will be utilized for the effective reduction of expenditures.

#### Website address

<http://www.soumu.go.jp/iken/saishutsuhyo/index.html>

### ② Financial Comparative Analysis Table

A “financial comparative analysis table” is used for conducting a comparative analysis of the principal financial indicators, etc. among similar organizations and analyzing the efforts, etc. of each organization toward the improvement of the indicators, etc.

#### Website address

<http://www.soumu.go.jp/iken/bunsekihyo.html>

### ③ Settlement Card

The settlement data of all prefectures and municipalities (since fiscal 2001) are shown in balance sheets for each individual organization posted on the homepage.

#### Website address

<http://www.soumu.go.jp/iken/zaisei/card.html>

### ④ Table of Financial Condition, Etc.

In response to the growing demand for comprehensive transparency in local public finance information, as a means of disclosing the overall financial condition of each local government, including the condition of special accounts, such as enterprise accounts, as well as the ordinary account, the management condition of third-sector enterprises and so on, and the state of financial assistance to them, the Ministry of Internal Affairs and Communications compiles financial condition tables and so on and posts them on its homepage.

#### Website address

[http://www.soumu.go.jp/iken/zaisei\\_ichiran.html](http://www.soumu.go.jp/iken/zaisei_ichiran.html)



FY 2007 Settlement  
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