

Local public entities in distress – a critical analysis of the Japanese approach¹

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This paper discusses the structure of Japan’s bankruptcy legislation and the insolvency legislation of local governments. The term “local public entity” is provided in Japan’s Constitution, but in this paper, it means the municipality and public enterprises covered by the Act on Assurance of Sound Financial Status of Local Governments.²

1. Overview of Japan’s bankruptcy legislation

1.1 Characteristics of Japan’s bankruptcy legislation

Japan’s bankruptcy legislation includes liquidation procedures equivalent to Chapter 7 of the Federal Bankruptcy Code of the United States and rehabilitation

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² Act No 94 of 2007, the English translation contained in the Japanese Law Translation Database System (JLT DS), available at <http://www.japaneselawtranslation.go.jp/>.

procedures equivalent to Chapter 11 of the same code. Japan generally takes a fragmented approach to liquidation in which the debtor or creditor can choose either procedure.

1.1.1 Liquidation procedures

To implement liquidation, corporations follow bankruptcy proceedings and special liquidation procedures as described below.

1.1.1.1 Bankruptcy proceedings

Bankruptcy proceedings apply to all individuals and corporations. Although it is not expressed in the Bankruptcy Act,³ it is considered that bankruptcy declarations made by local governments should be denied as the dissolution of a local government's legal personality is not recognised by a legal order.⁴ Specifically, local governments are unable to liquidate the property that is the basis of their activities through bankruptcy proceedings. Therefore, local governments are excluded from utilising the Bankruptcy Act.⁵ Bankruptcy proceedings are commenced by a petition made to a court by a creditor or debtor due to a debtor's insolvency and excess debt. Upon commencement of bankruptcy proceedings, the debtor's property is managed by a bankruptcy trustee appointed by a court.

All bankruptcy creditors must participate in bankruptcy proceedings in order to exercise their rights. In principle, creditors are paid equal dividends, but security rights such as mortgages are excluded. The right of exchange is exercised outside of bankruptcy proceedings, and priority payment rights are possible. Upon commencement of bankruptcy proceedings, bankruptcy claims can be made.

³ Act No 75 of 2004, English translation in the JLT DS.

⁴ M Ito, *Bankruptcy and Civil Rehabilitation Act* (5th ed, Yuhikaku, Tokyo, 2022) at 90.

⁵ *Ibid.*

Receivables can offset the debts borne by a creditor to a bankrupt entity. However, the right to offset is denied if doing so will contradict the creditors' equality. The security right as a right of exclusion may be redeemed by compulsory execution procedures, and an exclusion right holder cannot refuse it.

Upon filing for bankruptcy, a petition for a grant of discharge is also deemed to be filed. When discharge proceedings are established, an individual debtor can file a petition for a grant of discharge. When an order for a grant of discharge becomes final and binding, an individual debtor is discharged from his liabilities associated with any bankruptcy claims. Given that the Bankruptcy Act is for "securing the opportunity for rehabilitation of [the] economic life [of companies]",⁶ bankruptcy proceedings are considered debtor-friendly.

1.1.1.2 Special liquidation procedures

Special liquidation proceedings are applicable to a stock company in liquidation when circumstances prevent the execution of the liquidation or when debt overrun is suspected. These proceedings commence with a court order. Unlike in a bankruptcy proceeding where the bankruptcy trustee implements the liquidation, in a special liquidation this function is assumed by liquidators (for example, directors). Moreover, unlike in bankruptcy proceedings, creditors' payments require a special majority decision on a proposal made by the liquidator to be passed and subsequent court approval. This makes special liquidations creditor-friendly.

1.1.2 Rehabilitation procedures

Rehabilitation procedures include civil rehabilitation and corporate reorganisation proceedings.

⁶ Bankruptcy Act, art 1, English translation in the JLT DS.

1.1.2.1 Civil rehabilitation proceedings

Civil rehabilitation proceedings are filed prior to bankruptcy. Petitions are filed “when there is [a] risk that a fact constituting the grounds to commence bankruptcy proceedings [is faced by] a debtor”⁷ or “when a debtor is unable to pay debts that are due without causing significant hindrance to business continuation”.⁸ Civil rehabilitation proceedings apply to individuals and corporations in general, but there are no clearly written procedures contained in statute. It is understood that local governments do not have the ability to rehabilitate for the same reason applicable to bankruptcy proceedings.⁹ In civil rehabilitation proceedings, a debtor has the right to dispose of property and the right to carry on business, and trustees are only appointed if it is deemed necessary for a business’ rehabilitation. A person who holds a security interest in a debtor’s property is considered to have an exclusion right, which may be exercised in the absence of civil rehabilitation proceedings. A creditor who has priority claims, such as liens, will receive payments at any time, even without civil rehabilitation proceedings having been initiated. Therefore, in civil rehabilitation proceedings, the rehabilitation plan is intended only for general creditors; as such, the procedures are simplified and accelerated. However, if a court finds that the rehabilitation conforms to the general interests of a creditor and is no likely to cause unreasonable damage to an auctioneer, it may order the suspension of a procedure to allow the security interest to be executed. Moreover, if a debtor’s encumbered property is indispensable as it is needed for the continuation of its business, a debtor may file a petition for permission to extinguish the security interest. Evidently, restrictions on the execution of security rights in the process of continuing the business are permitted.

⁷ Civil Rehabilitation Act, Act No 225 of 1999, art 21, para 1, English translation in the JLT DS.

⁸ *Ibid.*

⁹ M Ito, *Bankruptcy and Civil Rehabilitation Act* (5th ed, Yuhikaku, Tokyo, 2022) at 843.

In the procedures for civil rehabilitation and corporate reorganisation, general provisions concerning rights changes are required in the rehabilitation plan to reduce the debt burden for the rehabilitation of a debtor's business. Although the change of rights is effective by virtue of a resolution of a creditors' meeting and the approval of the court, it is characterised by a simple procedure that is initiated in a manner that is dissimilar to the corporate reorganisation procedure.

1.1.2.2 Corporate reorganisation procedures

Corporate reorganisation procedures may only be utilised by stock companies. A petition is granted "where there is [a] risk that a fact constituting the grounds for commencement of bankruptcy proceedings [could] occur"¹⁰ or "where the stock company is likely to experience significant hindrance to the continuation of its business if it pays its debts that are due".¹¹ As with civil rehabilitation procedures, corporate reorganisation is recognised prior to bankruptcy.

During a corporate reorganisation procedure, the right to manage and dispose of a debtor's property is exclusive to a rehabilitation trustee. However, since the purpose of this procedure is to reorganise a debtor's business, the rehabilitation trustee manages both the property disposition and the business.

When a debtor is subject to a corporate reorganisation, it is necessary for all rehabilitation creditors, including those with security interests, to participate in the procedure. It is not possible for a company to make payments outside the procedure or for creditors to file a petition for a compulsory liquidation of a company's property. Moreover, unlike in relation to bankruptcy proceedings, creditors with various rights (for example, rehabilitation claims, rehabilitation security rights and shares) vote on the resolution separately in their respective classes. When a

¹⁰ Corporate Reorganisation Act, Act No 154 of 2002, art 17, para 1, English translation in the JLT DS.

¹¹ *Ibid.*

rehabilitation plan proposal is passed and approved by a court, a rehabilitation trustee carries out the rehabilitation plan.

As described above, corporate reorganisation procedures are more integrated methods of business revitalisation than civil rehabilitation proceedings.¹² However, corporate reorganisation procedures are less often used for civil rehabilitation as the management rights are transferred to the rehabilitation trustee, and the former shareholders' rights are also extinguished via 100% capital reduction and the issuance of new shares.¹³

Since the realisation of continuing business value takes precedence over the realisation of liquidation value, civil rehabilitation and corporate reorganisation proceedings are prioritised over bankruptcy proceedings. However, if they do not achieve their purpose, a court may commence bankruptcy proceedings.

1.2 Reform of Japan's bankruptcy legislation

Japan's bankruptcy legislation takes multiple procedural forms, and the debtor or creditor decides which one to initiate. Building on the review of bankruptcy legislation since 1996, the bankruptcy law in the Corporation Act of 2005¹⁴ now provides for special liquidation. Additionally, the Civil Rehabilitation Act¹⁵ came into effect in 2000, whilst the Corporate Reorganisation Act¹⁶ became operational in 2003. However, some specialists in civil procedures in Japan point out several issues, especially with regard to the structure of the entire bankruptcy system.¹⁷

¹² M Ito, *Bankruptcy and Civil Rehabilitation Act* (5th ed, Yuhikaku, Tokyo, 2022) at 46.

¹³ *Ibid.*

¹⁴ Act No 86 of 2005.

¹⁵ Act No 225 of 1999.

¹⁶ Act No 154 of 2002.

¹⁷ See M Ito, *Bankruptcy and Civil Rehabilitation Act* (5th ed, Yuhikaku, Tokyo, 2022) at 81.

1.2.1 Adoption of a single procedural approach

Currently, upon the finding of financial distress, a choice must be made regarding whether to utilise a liquidation or rehabilitation procedure. However, as seen in managed civil rehabilitation and debtor-in-possession type corporate reorganisation, the difference between rehabilitation-type procedures is becoming negligible. Therefore, it is strongly advised that a bankruptcy proceeding should be started as a single procedure, and it should be examined whether to continue or liquidate the business, and whether to provide property disposal or business management rights to an external third party or a debtor.

1.2.2 Relationship with extrajudicial proceedings

Whilst private arrangements for business rehabilitation have been carried out frequently, it has been noticed that it is necessary to examine how to position private arrangements in rehabilitation procedures.

1.3 Reforms related to the discipline of local governments in the event of financial distress

In Japan, local governments are denied the ability to petition for bankruptcy because of their inability to get approval by legal order to liquidate the property on which their activities are based, as the legal personality of the local governments would dissolve.¹⁸ Other public corporations are able to petition for bankruptcy, but may be denied bankruptcy through the establishment of special liquidation proceedings, as per legislative policies.¹⁹

Regarding local governments, the former Act on the Special Measures to Promote

¹⁸ *Idem*, at 90.

¹⁹ *Idem*, at 91.

Local Public Financial Reconstruction²⁰ was promulgated to encourage local governments that have failed in their financial policy to improve their financial discipline. It also provided that a local government facing financial distress had to seek a turnaround under the national government's supervision. However, this Act was criticised because the procedure began when the entity fell in distress. As a result, a financially distressed local government needed to seek financial reconstruction under the national government's strong supervision soon after becoming financially distressed. Moreover, under this act, the necessity of financial reconstruction was judged only by the general accounts of local governments. Hence, there was a risk that the financial collapse of a semi-public joint venture company (called "a third sector" company in Japan) funded by private sectors and local governments, would be overlooked. Therefore, in 2007, the Act on Assurance of Sound Financial Status of Local Governments (the Local Financial Soundness Act)²¹ was enacted. Under this Act, early financial soundness must be established before undertaking financial reconstruction under strong national supervision. This must be evidenced through an earlier fiscal soundness of special accounts, public enterprise accounting, semi-public joint venture company (third sector) accounting, as well as the local government's general account.²²

Although local governments have cash-based accounting records, accrual-based records have been proposed to gain a clearer picture of their financial situation. In 2014, the Ministry of Internal Affairs and Communications asked local governments to prepare financial documents using uniform accounting standards on an accrual basis.

²⁰ Act No 195 of 1955 (abolished in 2007).

²¹ Act No 94 of 2007.

²² See the discussion in this regard below.

2. Local governments in Japan

2.1 Types of local governments in Japan

In Japan, the term local government is not constitutionally or legally defined. However, Japan's Constitution provides that regulations concerning organisations and operations of local public entities shall be fixed by law in accordance with the principle of local autonomy.²³ Specifically, the Local Autonomy Act²⁴ deals with matters concerning the classification, organisation and operation of local governments. Moreover, assemblies serve as the Constitution's deliberative organs. Japan's Constitution provides that the chief executive officers of all local public entities, the members of their assemblies, and such other local officials as may be determined by law shall be elected by direct popular vote within their respective communities.²⁵ Therefore, local governments have called for the establishment of a uniformly democratic organisation and for the head of local governments to be elected by residents from their communities to avoid diversity of the organisation.

The Local Autonomy Act treats local governments as corporations,²⁶ divides local governments into ordinary and special local public bodies,²⁷ and provides for the voluntary and comprehensive implementation of local administration as a basis for promoting the welfare of residents as part of a local government's role.²⁸ Ordinary local public entities include municipalities (cities, towns and villages), which are basic local governments; as well as prefectures, which are regional governments in a wider area. It is recognised that municipalities generally handle

²³ Constitution of Japan, art 92.

²⁴ Act No 67 of 1947.

²⁵ Constitution, art 93, para 1.

²⁶ Local Autonomy Act, art 2.

²⁷ *Idem*, arts 1-3.

²⁸ *Idem*, arts 1 and 2.

local affairs, except for those handled by prefectures.²⁹ Prefectures handle (i) affairs in regions that span a large territory, (ii) liaison and coordination amongst municipalities, and (iii) affairs that are deemed inappropriate to be handled by general municipalities because of their size or nature.³⁰ In Japan, except for the Tokyo special wards, all areas of the country belong to municipalities (which are basic local governments) and prefectures (which are regional governments that cover a wider geographical area). In January 2022, there were 1,718 municipalities and 47 prefectures.

Special local governments include special wards, associations and property districts. Special wards are equivalent to cities and handle affairs generally handled by municipalities, except for those that are handled integrally by the prefecture in areas where special wards exist.³¹ Tokyo is the only prefecture in which special wards currently operate.³²

There are some partial-affairs associations and wide-area associations. Partial-affairs associations are established by multiple local governments to jointly manage

²⁹ *Idem*, art 2, para 3.

³⁰ *Idem*, art 2, para 5.

³¹ *Idem*, art 281-12, para 2.

³² Currently, special wards are only established in Tokyo. However, under the Act on the Establishment of Special Wards in Large Metropolitan Areas, Act No 80 of 2012, (i) ordinance-designated cities that have a population of more than 2 million or (ii) an ordinance-designated city and the area of the same prefecture adjacent to that city that have more than 2 million residents, can abolish municipalities and establish special wards in that area. To abolish municipalities and establish new special wards, relevant municipalities and related prefectures shall consult and prepare a special ward establishment agreement. After approval by the assemblies of the interested municipalities and prefectures, it is necessary to have the approval of the majority of the population in the relevant municipalities. The abolition of prefectures and the establishment of special wards were considered in Osaka City in 2016 and 2020, but neither was rejected by a referendum and both realised.

part of the affairs pertaining to local government,³³ whereas wide-area associations are established to handle a wide range of affairs comprehensively and systematically by creating a wide area plan and making necessary communication adjustments.³⁴ Partial-affairs associations are used for waste disposal, firefighting, hospital affairs, and similar services. Wide-area associations not only jointly manage the affairs pertaining to local government, but are also recipients of the transfer of authority from the national government.³⁵ There were 1,303 partial-affairs associations on 31 March 2018,³⁶ whilst there were 116 wide-area associations on 1 April 2022.³⁷

Property districts are special local governments that are authorised to manage and dispose of property or public facilities in municipalities. In property wards, the municipal assembly and the executive body of municipalities and special wards shall manage and dispose of property in the property wards, but the property ward must be accounted for separately.³⁸ There are 3,940 property wards in 429 municipalities on 1 April 2021.³⁹

2.2 The Act on Assurance of Sound Financial Status of Local Governments, and local public entities

The Local Financial Soundness Act deals with prefectures, municipalities,

³³ Local Autonomy Act, art 284, para 2.

³⁴ *Idem*, art 284, para 3.

³⁵ *Idem*, art 291.2, para 1 and 2.

³⁶ According to a survey by the Ministry of Internal Affairs and Communications. In this regard, see https://www.soumu.go.jp/menu_seisaku/hakusyo/chihou/32data/2020data/r02czb01-06.html.

³⁷ According to a survey by the Ministry of Internal Affairs and Communications. In this regard, see https://www.soumu.go.jp/main_content/000812361.pdf.

³⁸ Local Autonomy Act, art 294, para 3.

³⁹ According to a survey by the Ministry of Internal Affairs and Communications. In this regard, see https://www.soumu.go.jp/main_content/000800019.pdf.

special wards and public enterprises managed by local governments. Water supply, industrial water supply, track, automobile transportation, railway, electricity, gas, port improvement, hospitals, markets, livestock, tourism, housing and public sewerage businesses are typically operated through public enterprises. Alternatively, these businesses may be run through semi-public joint venture companies, which are also funded by local governments. However, the Local Financial Soundness Act does not apply to semi-public joint venture companies. Thus, if such a company goes bankrupt, it will be dealt with under normal bankruptcy law procedures. Public schools are operated by local governments through their boards of education, and public schools themselves thus do not face insolvency issues. Some hospital businesses and research institutes are operated by local independent administrative agencies, and some public universities are operated by public university agencies that are classified as local independent administrative agencies. Local independent administrative agencies are however not subject to the Local Financial Soundness Act. For local independent administrative agencies, local government grants are their main source of funds.⁴⁰ Since a local independent administrative agency must prepare a medium-term plan based on medium-term targets set by the heads of local governments,⁴¹ and since the approval of the head of the local public entity is required for the medium-term plan,⁴² there is no bankruptcy procedure for local independent administrative agencies.⁴³

⁴⁰ Local Independent Administrative Agency Act, Act No 118 of 2003, art 42, para 1.

⁴¹ *Idem*, arts 25, para 1 and 26, para 1.

⁴² *Idem*, art 26, para 1.

⁴³ *Idem*, arts 88-105 also provide the procedure of dissolution and liquidation.

3. Legal system for financially distressed local governments: framework of the Local Financial Soundness Act

3.1 The former Local Fiscal Reconstruction Act

The former Local Fiscal Reconstruction Act of 1955 was first enacted as a system for addressing financial distress amongst local governments.⁴⁴ It was passed to respond to the country's poor financial situation in the late 1940s and 1950s.⁴⁵ Mainly, it sought to establish a reconstruction system for the ordinary accounting of local public bodies and for public enterprises to which the Local Public Enterprise Act⁴⁶ applies. The former Local Fiscal Reconstruction Act was a special-measures law centred on procedures for financial reconstruction of financially distressed bodies and public enterprises. Under this system, a “financial reconstruction body” would formulate a financial reconstruction plan to submit to the Commissioner of the Self-Governing Bodies for approval. Such a financial reconstruction plan would seek to improve a company's financial conditions. Financial reconstruction bodies made plan applications under this system from 1955 by using a quasi-reconstruction procedure. According to the former Local Fiscal Reconstruction Act, 588 bodies (18 prefectures and 570 municipalities) were approved as reconstruction bodies and 296 organisations (two prefectures and 294 municipalities) were approved as quasi-reconstruction organisations. Building on these provisions, a procedure for the financial reconstruction of financially distressed public enterprises was established in 1965, and, from 1966, distressed public enterprises were reconstructed using these provisions. So far, 155 public enterprises (one in prefecture and 154 in

⁴⁴ Act No 195 of 1955 (abolished in 2007).

⁴⁵ Approximately 80% of the prefectures and about a third of municipalities had posted a real loss at that time. T Kondo, “Establishment of a New Rehabilitation System for Local Finance – Bill on Financial Soundness of Local Governments”, *Legislation and Investigation* 3 (2007) at 268.

⁴⁶ Act No 292 of 1947.

municipalities) have utilised the provisions, and 25 public enterprises (one in prefecture and 24 in municipalities) have been approved for quasi-reconstruction.

According to the former Local Fiscal Reconstruction Act, local governments that advanced the next fiscal year's revenue to compensate for a lack of revenue in the relevant year either (i) deferred the payment of debts to the next fiscal year, or (ii) carried forward the projects to be executed in the relevant fiscal year to the next due to a lack of revenue in the relevant year. If this took place whilst the intention was to rebuild public finances, the Commissioner of the Bureau of Home Affairs had to be notified (and after 1960, the Minister of Home Affairs) by a date specified by cabinet order after the resolution of the assembly of a distressed entity, and a financial reconstruction plan as specified by the Commissioner of the Bureau of Home Affairs had to be established.⁴⁷ Upon the approval of a financial reconstruction plan by the Commissioner of the Bureau of Home Affairs, financial reconstruction bodies were enabled to issue financial reconstruction bonds with permission of the Commissioner of the Bureau of Home Affairs to cover the lack of revenue in the relevant fiscal year, and to allocate the financial resources of retirement allowances to employees who had left the body from the day when the plan was approved, to the day when the plan would have finished by virtue of the revision or abolition of the employment system or a decrease in budget.⁴⁸ Financial reconstruction bonds for the former purpose had to be repaid within approximately seven years from the following fiscal year, and those for the latter purpose had to be repaid within three years from the following fiscal year.⁴⁹ Subject to the annual budget, the state could replenish the amount equivalent to the interest payment for the financial reconstruction bond in excess of that paid at a fixed rate of interest of

⁴⁷ Former Local Finance Reconstruction Act, art 2.

⁴⁸ *Idem*, art 12, para 1 and art 14.

⁴⁹ *Idem*, art 13.

3.5% per annum, but not exceeding the amount paid at above a fixed rate of 5% per annum.⁵⁰ If the Commissioner of the Bureau of Home Affairs found that the management of the financial reconstruction body did not conform to the financial reconstruction plan, the Commissioner could request that the execution of parts of the budget deemed not to conform to the financial reconstruction plan be suspended and other necessary measures be taken in the management of the financial administration of the financial reconstruction body⁵¹.

3.2 Problems with the former Local Financial Reconstruction Act, and the direction of reform

From 1999 to 2019 decentralisation reform was underway in Japan, and the necessity of the full liberalisation of municipal bonds and developing rehabilitation-type bankruptcy legislation were examined.⁵² In particular, under the former Local Fiscal Reconstruction Act the permission from the former Minister of Home Affairs (now the Minister of Internal Affairs and Communications) was required for the issuance of municipal bonds to achieve financial soundness of local governments and give credibility to the municipal bonds. However, following the decentralisation reforms in 1999, municipal bonds can be issued in consultation with the Minister of Internal Affairs and Communications in principle.⁵³ Therefore, as for the issuance

⁵⁰ *Idem*, art 15.

⁵¹ *Idem*, art 21.

⁵² Decentralization 21st Century Vision Advisory Panel, *Decentralization 21st Century Vision Advisory Panel Report* (2010) at 5-6, available at <https://www.cao.go.jp/bunken-suishin/doc/archive-20060703.pdf>.

⁵³ For instance, as discussed below, when local governments that have prepared the financial rehabilitation plan issue municipal bonds, the permission of the Minister of Internal Affairs and Communications is still needed.

of municipal bonds, it was deemed urgent to ensure that the issuance of municipal bonds is left to the autonomy of local governments and that municipal bonds are rated in the capital market according to the credit-worthiness of each local government. As for the need to develop a rehabilitation type of bankruptcy legislation, it was suggested that early corrective measures based on transparent rules be taken; otherwise, rehabilitative measures will be taken as the second step.⁵⁴

It was also pointed out that the quasi-reconstruction of the former Local Financial Reconstruction Act had the following problems:⁵⁵

- each body did not disclose easy-to-understand financial information on a daily basis in order to enable early correction and rehabilitation when needed. There were insufficient means to ensure the objectivity and accuracy of financial indicators and their basis of calculation;
- there were only standards for the entity to be financially reconstructed, and there was no function to encourage correction at an early stage. Hence, what should be addressed by working on fiscal soundness at an early stage could lead to a serious situation and, consequently, long-term reconstruction. This ultimately imposed an excessive burden on residents;

⁵⁴ Since the 2012 fiscal year, local governments that meet certain fiscal condition standards can, in principle, eliminate the need for consultation on the issuance of private and other funds procured in the financial markets. Since the 2016 fiscal year, consultations on some issuances of public-funded bonds have been unnecessary, and a pre-notification system has been introduced.

⁵⁵ New Local Financial Rehabilitation System Study Group, *New Local Financial Revitalization System Study Group Report* (2006) at 2, available at https://www.soumu.go.jp/main_sosiki/kenkyu/new_saiseiseido/pdf/061208_1.pdf.

- as only a substantial balance ratio (flow index) was used as a basis for reconstruction bodies, bodies whose other indicators (such as real debt-service ratio) deteriorated or that had issues with stock-based fiscal conditions, for example, were not eligible. In addition, the former Local Fiscal Reconstruction Act mainly intended for ordinary accounting, so relationships with public enterprises and local public corporations were not considered; and
- mechanisms to promote reconstruction were limited.

It was also pointed out that, as for the reconstruction system (including quasi-reconstruction) in public enterprises, (i) there was a separate system completely independent of the reconstruction system centred on ordinary accounting, (ii) disclosure of financial information was insufficient, (iii) the management situation of the business was often directly linked to the burden on residents, and (iv) there was no function for early correction.⁵⁶ It was suggested that, in addition to overcoming the above issues, it was necessary to establish an early correction scheme based on transparent rules, considering that it is important to continue to provide basic administrative services to residents in the operation of local public bodies and to establish a new two-step procedure in which the rehabilitation scheme is applied if the financial position does not improve.⁵⁷

It was also suggested that the reform should be examined separately in the event where (i) rehabilitation is carried out under the basic framework of the current local administrative and financial system and (ii) the fundamental reform of the local administrative and fiscal system (abolition of administrative duties by the

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

government, enhancement of local taxes, drastic reform of financial resources measures for investment projects, liberalisation of local bonds, reform of government subsidy, and allocation tax) were undertaken during the progress of the restoration and it was considered with a view to transition from (i) to (ii) by the movement of decentralisation.⁵⁸ Regarding debt adjustment, it was ensured that there would be an examination of (i) whether it was necessary to have a mechanism to motivate creditors to respond to debt adjustments, (ii) how rational standards should be set for debt adjustment, (iii) how to consider the head's management responsibilities, (iv) what matters should involve courts, (v) the opinions about the responsibilities and burdens of states with large amounts of receivables compared with private creditors, (vi) how to raise funds for local governments with weak fiscal strengths, and (vii) how to introduce collateral settings for private financial institutions for debts by local governments.⁵⁹

3.3 Outline of the Act on Assurance of Sound Financial Status of Local Governments

Based on the results of the study discussed above, the Local Financial Soundness Act was enacted in 2007.⁶⁰ Pre-enactment discussions were considered as directing the so-called rehabilitation type of legislation to introduce the liberalisation of municipal bonds and debt adjustments in a similar manner to Chapter 9 of the Federal Bankruptcy Code of the United States.⁶¹ However, because of the technical

⁵⁸ *Idem*, at 4.

⁵⁹ *Idem*, at 14.

⁶⁰ Act No 94 of 2007.

⁶¹ Decentralization 21st Century Vision Advisory Panel, *Decentralization 21st Century Vision Advisory Panel Report* (2010) at 5-6, available at <https://www.cao.go.jp/bunken-suishin/doc/archive-20060703.pdf>.

difficulties of making debt adjustments immediately,⁶² institutionalising debt adjustments was postponed and, in the end, the new act only realised “the two-step procedures in which early corrective measures based on transparent rules shall be taken, otherwise rehabilitative measures shall be taken as the second step”,⁶³ or the introduction of an early corrective scheme and rehabilitation scheme.⁶⁴

3.3.1 Purpose of the Local Financial Soundness Act and the ratio of the soundness judgment

The Local Financial Soundness Act aims to promote the soundness of the public finances of local governments by establishing a system for (i) announcing the ratio for determining the soundness of local governments, and (ii) local governments to formulate a plan for achieving early soundness or rehabilitation of public finances and the soundness of public enterprises according to this ratio. It provides for the system of promoting the early soundness of public finances by establishing the standards for early soundness as a preliminary stage of the financial rehabilitation procedure.⁶⁵ The heads of local governments are required to report and disclose on an annual basis the ratio for determining soundness after receiving the relevant financial results from the previous year.⁶⁶ Prefectural governors and the heads of ordinance-designated cities must report the published standards for financial

⁶² S Konishi, *Act on Fiscal Soundness of Local Governments and The Ratio of Soundness: Points for System and Financial Reconstruction* (Gakuyo Shobo, Tokyo, 2008) at 149.

⁶³ Decentralization 21st Century Vision Advisory Panel, *Decentralization 21st Century Vision Advisory Panel Report* (2010) at 7, available at <https://www.cao.go.jp/bunken-suishin/doc/archive-20060703.pdf>.

⁶⁴ New Local Financial Rehabilitation System Study Group, *New Local Financial Revitalization System Study Group Report* (2006) at 12, available at https://www.soumu.go.jp/main_sosiki/kenkyu/new_saiseiseido/pdf/061208_1.pdf.

⁶⁵ Local Financial Soundness Act, art 1.

⁶⁶ *Idem*, art 3, para 1.

soundness to the Minister of Internal Affairs and Communications and to the heads of municipalities and special wards, excluding those of ordinance-designated cities who must report them to the prefectural governors of each area.⁶⁷

The ratio for determining soundness involves the ratios of real deficits (that is, the ratio of real deficits of local governments to the amount of standard fiscal scale in the general accounts),⁶⁸ consolidated real deficits (that is, the ratio of the standard fiscal scale of the real deficit to the amount of the standard fiscal scale of the real deficit for all the local government's accounts, including the special accounts of public enterprises in addition to the general account of the local governments alone),⁶⁹ real local bond expenses (that is, the ratio of principal and principal redemptions and quasi-principal and quasi-interest redemptions, including public enterprises and unions, to the standard fiscal scale of the amount of in the general accounts of local governments),⁷⁰ and future burdens (that is, the ratio of the standard fiscal scale of the amount in the general accounts of local governments to the substantial liabilities that the general account of local governments shall bear in the future for all public enterprises, unions, and semi-public joint companies).⁷¹ In particular, the ratio of consolidated real deficits, real local bond expenses and future burdens differ from the system of the former Local Financial Reconstruction Act, in that they cover not only the general accounts of local governments but also accounts for public enterprises, unions, and semi-public joint companies.

3.3.2 Early correcting scheme

If any of the soundness judgment ratios are greater than or equal to the criteria

⁶⁷ *Idem*, art 3, para 3.

⁶⁸ *Idem*, art 2, no 1.

⁶⁹ *Idem*, art 2, no 2.

⁷⁰ *Idem*, art 2, no 3.

⁷¹ *Idem*, art 2, no 4.

for early soundness (unless they are deemed to be higher than the financial rehabilitation standard), a yellow card will be issued to the respective local government, and early measures to uphold the soundness of public finances will be implemented. Specifically, the heads of local governments assigned a yellow card (financial soundness bodies) shall establish a financial soundness plan, starting from the year that it will announce the ratio of the soundness decision by the end of the fiscal year, including that year.⁷² A financial soundness plan will consider the factors that caused an entity's financial decline. Additionally, it will aim to restore the balance between revenue and expenditure in the general account and in others where there is a real deficit. Furthermore, if any of the ratios of consolidated real deficits, real bond expenses or future burden is more than the corresponding criterion for early soundness, this ratio shall be reduced to less than the criterion for early soundness. Moreover, the heads of local governments shall prepare a financial soundness plan that includes (i) an analysis of the factors causing the soundness judgment ratio to exceed the criterion for early soundness, (ii) the planning period, (iii) the basic policy for financial soundness, (iv) measures to substantially restore the balance between revenue and expenditure in the general account and in others where a real deficit exists, (v) measures to reduce any excessive ratio to the required ratio for early soundness, (vi) plans for revenue and expenditure for each fiscal year within the planning period, (vii) the prospect for the ratio of the soundness judgment for

⁷² *Idem*, art 4, para 1. The ratio of real deficit for the criteria for early soundness is 11.25-15% (in the case of municipalities, depending on the financial scale) or 3.75% (in the case of prefectures, excluding Tokyo). The ratio of consolidated real deficits for the criteria for early soundness is 16.25-20% (in the case of municipalities, depending on the financial scale) or 8.75% (in the case of prefectures, excluding Tokyo). The ratio of real bond expenses for the criteria for early soundness is 25%. The future burden ratio for the criteria for early soundness is 350% (in the case of the municipalities, excluding ordinance-designated cities) or 400% (in the case of prefectures and ordinance-designated cities). Also see Order for Enforcement of the Local Financial Soundness Act, s 7 and <https://www.soumu.go.jp/iken/zaisei/kenzenka/index3.html>.

each fiscal year within the planning period, and (viii) matters necessary relevant to achieving the early soundness of public finances in addition to the above.⁷³

The financial soundness plan shall be prepared by the heads of local governments and established through the assembly's resolution.⁷⁴ When local governments have established a financial soundness plan, they must promptly announce it. Prefectures and ordinance-designated cities (municipalities and special wards) must report any plans to the Minister of Internal Affairs and Communications (prefectural governors). The prefectural governors who receive the reports from municipalities and special wards shall promptly provide a summary of the financial soundness plan to the Minister of Internal Affairs and Communications.⁷⁵

By 30 September of each year, the head of a financial soundness body that established a financial soundness plan shall submit to the assembly a report on the implementation status of the financial soundness plan that clarifies progress from the prior year's financial results, and make it public. In the case of prefectures and the ordinance-designated cities, the prefectural governors and the heads of the ordinance-designated cities must also report on the implementation status of the financial soundness plan to the Minister of Internal Affairs and Communications, and in the case of municipalities (excluding the ordinance-designated cities and special wards), the head of the municipality must report to the prefectural governor. Moreover, the prefectural governor who receives the report from the municipality and the special ward must provide a summary of the financial soundness plan to the Minister of Internal Affairs and Communications.⁷⁶ Prefectural governors shall compile reports on the implementation status of the financial soundness plan

⁷³ Local Financial Soundness Act, art 4, para 2.

⁷⁴ *Idem*, art 5, para 1.

⁷⁵ *Idem*, art 5, para 2.

⁷⁶ *Idem*, art 6, para 1.

annually and make outlines of plan public,⁷⁷ whilst the Minister of Internal Affairs and Communications shall compile and makes public the summary of the financial soundness plan every year.⁷⁸

Under an early corrective scheme, the involvement of the national government and prefectures is limited, as these schemes aim to regain early financial soundness by encouraging local governments to make voluntary improvement efforts. That is, if the Minister of Internal Affairs and Communications or a prefectural governor finds it extremely difficult to recover the financial soundness of a financial soundness body in view of the implementation status of its financial soundness plan, he may make necessary recommendations to the head of the financial soundness body, and these recommendations should be made public.⁷⁹ When the head of a financial soundness body receives a recommendation, such head must promptly report the contents of the recommendation to the assembly of the financial soundness body and notify its audit committee members.⁸⁰

3.3.3 Financial rehabilitation schemes

For local governments whose real deficit, consolidated real deficit or real bond expense ratios (these three ratios are referred to as the ratio for determining rehabilitation) is higher than or equal to the financial rehabilitation standard, a red card will be issued, and the national government will be strongly involved. The future burden ratio is not included in the ratio for determining rehabilitation because this indicates the possibility of deterioration of future cash flow but does not immediately indicate the urgency of fiscal deterioration.⁸¹ Specifically, local

⁷⁷ *Idem*, art 6, para 2.

⁷⁸ *Idem*, art 6, para 3.

⁷⁹ *Idem*, art 7, paras 1-3.

⁸⁰ *Idem*, art 7, para 4.

⁸¹ K Uga, *Summary of the Local Autonomy Law* (9th ed, Yuhikaku, Tokyo, 2021) at 222.

governments assigned a red card (financial rehabilitation bodies) shall establish a financial rehabilitation plan, starting from the year that it will announce the ratio of the soundness decision by the end of the fiscal year, including that year.⁸² When a financial soundness body has established a financial rehabilitation plan, the originally established financial soundness plan will no longer be effective.⁸³ Based on the results of the analysis of the factors that caused a local government's financial situation to significantly deteriorate, the goal is to substantially restore the balance between revenue and expenditure in general accounts and to reduce the ratio of real public debt expenses or future burden to meet the criteria for early soundness within the minimum period. The financial rehabilitation plan should include (i) an analysis of factors that caused the rehabilitation judgment ratio to exceed the fiscal rehabilitation standard, (ii) the planning period, (iii) the basic policy for financial rehabilitation, (iv) plans for reexamining affairs and enterprises, organisational rationalisation, and other measures to reduce expenditures, (v) plans for increasing the amount of income generated from local taxes and other income generated for the fiscal year after the relevant fiscal year so that it is higher than before, (vi) plans to collect local taxes unpaid in the previous fiscal year, (vii) plans for changing the amount of royalties and fees, disposing of properties and other measures to increase revenue, (viii) plans for increasing local taxes by imposing local tax at a rate exceeding the standard tax rate provided in the Local Tax

⁸² Local Financial Soundness Act, art 8, para 1. The ratio of real deficits for financial rehabilitation criteria is 5% in the case of prefectures, and 20% in the case of municipalities and special wards. The ratio of consolidated real deficits is 15% in the case of prefectures, and 30% in the case of municipalities and special wards, and the ratio of real bond expenses is 35%. Order for En-forcement of the Local Financial Soundness Act, art 8. See also New Local Financial Rehabilitation System Study Group, *New Local Financial Revitalization System Study Group Report* (2006) at 2, available at https://www.soumu.go.jp/main_sosiki/kenkyu/new_saiseiseido/pdf/061208_1.pdf.

⁸³ Local Financial Soundness Act, art 8, para 2.

Act⁸⁴ or non-statutory ordinary taxes, (ix) plans for revenue and expenditure for each fiscal year within the planning period, (x) the redemption amount of the rehabilitation special bond for each fiscal year within the planning period when issuing it, (xi) the prospect for the ratio for determining soundness for each fiscal year within the planning period, and (xii) other matters necessary for financial rehabilitation.⁸⁵

A financial rehabilitation plan must be prepared by the heads of local governments and established through a resolution passed by the relevant assembly.⁸⁶ When a local government of a prefecture has established a financial rehabilitation plan, it must promptly make it public and report it to the Minister of Internal Affairs and Communications, and when a municipality or a special ward has established a financial rehabilitation plan, it must promptly make it public and report it to the Minister of Internal Affairs and Communications via prefectural governors.⁸⁷ After the assembly's resolution, a local government of a prefecture may consult with the Minister of Internal Affairs and Communications directly, and that of a municipality or a special ward may consult with the Minister of Internal Affairs and Communications through a prefectural governor and it may request the Minister's consent to a financial rehabilitation plan.⁸⁸ Although the Minister's consent is not obligatory, a local government may not use local bonds as a source of revenue for expenditure if it has not obtained the Minister's consent, except in cases where they

⁸⁴ Act No 226 of 1950, art 3, para 1. The Local Tax Act is a national law which is regarded as a frame law, and local taxes for local governments are provided for in the regulations of each local government. See also M Usui, *Summary of Mechanism and Law of Local Tax* (Gakuyo Shobo, Tokyo, 2001) at 8.

⁸⁵ Local Financial Soundness Act, art 8, para 3.

⁸⁶ *Idem*, art 9, para 1.

⁸⁷ *Idem*, art 9, para 2.

⁸⁸ *Idem*, art 10, para 1.

are used as a source of revenue for disaster recovery projects.⁸⁹ Upon gaining the Minister's consent, a local government may issue municipal bonds, called rehabilitation special bonds, to systematically resolve the shortfall in revenue and expenditure within the planned period of the financial rehabilitation plan, by transferring the shortfall to municipal bonds and redeeming them within the planned period.⁹⁰ Moreover, local governments that have established a financial rehabilitation plan, including those that have done so with a ratio for determining rehabilitation exceeding the criteria for financial rehabilitation, cannot issue municipal bonds unless they obtain permission from the Minister of Internal Affairs and Communications.⁹¹

In formulating a financial rehabilitation plan, national construction projects with costs that are to be shared by both the national and local governments must be considered. Upon receipt of a financial rehabilitation plan from a local government, the Minister of Internal Affairs and Communications must promptly notify the heads of each ministry about this matter who, in turn, must inform the Minister about such construction projects.⁹² They must convey the total amount of expenses related to the project and the amount of the burden assigned to the financial rehabilitation body before commencing its implementation.⁹³

The Minister of Internal Affairs and Communications must make public the contents of any financial rehabilitation plans reported by local governments every fiscal year.⁹⁴ The head of a financial rehabilitation body must produce a report for the assembly detailing the status of their plan's implementation in view of the

⁸⁹ *Idem*, art 11.

⁹⁰ *Idem*, art 12, paras 1 and 2.

⁹¹ *Idem*, art 13, para 1.

⁹² *Idem*, art 14, para 1.

⁹³ *Idem*, art 14, para 2.

⁹⁴ *Idem*, art 15.

financial results of the previous fiscal year, make the report public, and submit it to the Minister of Internal Affairs and Communications by 30 September of each year.⁹⁵ If necessary, the Minister of Internal Affairs and Communications may investigate the implementation status of a plan or request that a report be submitted to a financial rehabilitation body.⁹⁶

In the case of financial soundness bodies, the involvement of national government and prefectures are limited as the aim is to realise the early soundness of public finances by encouraging improvement efforts. Meanwhile, in the case of financial rehabilitation bodies, if it is recognised that the management of their fiscal system does not conform to their financial rehabilitation plan or that it is difficult to rehabilitate their finances, the Minister of Internal Affairs and Communications may recommend that the head of the financial rehabilitation body change the budget and its financial rehabilitation plan and take other necessary measures.⁹⁷ When the head of a financial rehabilitation body receives a recommendation, he must promptly report the contents of the recommendation to the assembly of the financial rehabilitation body, notify the audit committee members,⁹⁸ and submit a report to the Minister of Internal Affairs and Communications on the measures taken based on the recommendation.⁹⁹

3.3.4 Sound management of public enterprises

Upon receipt of the prior year's financial results of a public enterprise, the head of the local public entity that manages that public enterprise must promptly report the ratio of financial shortfall (that is, financial shortfall ratio for the previous fiscal

⁹⁵ *Idem*, art 18, para 1.

⁹⁶ *Idem*, art 19.

⁹⁷ *Idem*, art 20, para 1.

⁹⁸ *Idem*, art 20, para 2.

⁹⁹ *Idem*, art 20, para 3.

year to the scale of the previous year's business) to the assembly and make it public.¹⁰⁰ If the financial shortfall ratio does not meet the criteria for soundness of public enterprise management, a local government must establish a management soundness plan for the public enterprise (soundness management enterprise) within the first fiscal year after the fiscal year in which the financial shortfall ratio is publicised.¹⁰¹ The matters to be included in the management soundness plan are (i) an analysis of factors that caused the financial shortfall ratio to exceed the management soundness standard, (ii) the planning period, (iii) the basic policy for soundness management, (iv) measures to reduce the financial shortfall ratio to less than the criteria for deciding the soundness of management, (v) plans for revenue and expenditure for each fiscal year, (vi) prospects for the financial shortfall ratio for each fiscal year, and (vii) matters necessary for the soundness of management.¹⁰² The provisions of financial soundness bodies apply *mutatis mutandis* to the formulation of management soundness plans, reports on the implementation status of management soundness plans, and recommendations from the national government.¹⁰³

4. Status and specific examples after the enactment of the Local Financial Soundness Act

4.1 Status after enactment of the Local Financial Soundness Act

Since the enactment of the Local Financial Soundness Act in 2007, the total

¹⁰⁰ *Idem*, art 22, paras 1 and 2.

¹⁰¹ *Idem*, art 23, para 1. The ratio for deciding the soundness of management is 20%. Also see the Order for enforcement of the Local Financial Soundness Act, s 19.

¹⁰² Local Financial Soundness Act, art 23, para 2.

¹⁰³ *Idem*, art 24.

number of prefectures, municipalities, and special wards designated as financial soundness bodies was 40, and the number of financial rehabilitation bodies was 43. However, there has been only one financial rehabilitation body (which was a fiscal reconstruction body under former legislation) that was designated as a financial rehabilitation body since 2007, and no financial soundness bodies since 2013. These developments suggest that the purpose of the Local Financial Soundness Act of voluntarily restoring public finances at an earlier stage has nearly been realised. As there have been no new early soundness or financial rehabilitation bodies since 2008, the Local Financial Soundness Act now functions as a fiscal discipline mechanism for local governments. Although some public-accounting enterprises have become soundness management enterprises, they are becoming soundness management enterprises less frequently, which suggests that the Local Financial Soundness Act is fulfilling its purpose (see Table 1 below).

4.2 The law in practice

Yubari City in Hokkaido Prefecture became a financial reconstruction body under the former Local Fiscal Reconstruction Act, and it remains a financial rehabilitation body. Yubari City prospered as a coal mining town and boasted a population of more than 100,000 people at its peak, but the coal industry declined due to different energy conversion gaining prominence. The 24 coal mines that it operated at its peak closed one after another after 1965, and all of its coal mines were closed by 1990. Instead of coal mines, Yubari City took the initiative to develop ski and other resorts, but after an economic decline in 1990 its financial situation deteriorated. In 2006, Yubari City became a financial reconstruction body under the former Local Fiscal Reconstruction Act. After the former legislation was abolished, Yubari City became a financial rehabilitation body under the Local Financial Soundness Act.

Table 1 Changes in the Number of Early Soundness Bodies, Fiscal Rehabilitation Bodies, and Management Soundness Enterprises

Year	Early Soundness Body		Financial Rehabilitation Body		Number of Cities	Management Soundness Enterprises	Number of Public-accounting Enterprises
	Prefecture	City	Prefecture	City			
2007	0	40	0	3	1810	151	7441
2008	0	21(0)	0	1(0)	1798	61(4)	7345
2009	0	13(0)	0	1(0)	1750	49(5)	7146
2010	0	4(0)	0	1(0)	1746	38(2)	7077
2011	0	1(0)	0	1(0)	1742	36(5)	6956
2012	0	1(0)	0	1(0)	1742	20(1)	6806
2013	0	0	0	1(0)	1741	18(5)	6872
2014	0	0	0	1(0)	1741	11(2)	6823
2015	0	0	0	1(0)	1741	10(2)	6785
2016	0	0	0	1(0)	1741	9(1)	6688
2017	0	0	0	1(0)	1741	11(4)	6525
2018	0	0	0	1(0)	1741	7(3)	6426
2019	0	0	0	1(0)	1741	5(3)	6285

(Source: the Ministry of Internal Affairs and Communications' website news materials, edited version)

The numbers in parenthesis denote the number of new entities.

Yubari City's ratio for determining rehabilitation failed to meet the corresponding criteria in 2006, and it formulated a financial rehabilitation plan to fully repay a 32.2 billion Yen deficit.¹⁰⁴ This plan dictates that the financial rehabilitation period is from 2009 to 2029 and deficits will be eliminated by 2026. As a guiding principle, the development of effective policies with limited financial resources for the maintenance of regional vitality and future urban development is suggested. In particular, the measures considered are raising citizen and property taxes as well as other fees (for example, garbage disposal fees) to secure revenue, facilitate staff

¹⁰⁴ In respect of the financial rehabilitation plan formulated by Yubari City, see https://www.city.yubari.lg.jp/gyoseijoho/zaisei/zaiseiyumi/saiseikeikaku.files/SAISEI_2010_03_02.pdf.

reduction, minimise staff labour costs, conduct a fundamental review of the clerical work to reduce expenditure, and plan for a compact town. Furthermore, the national government is expected to secure the total amount of local allocation tax and to bear a partial burden of interest on special rehabilitation bonds (and the Hokkaido Prefecture is expected to bear a partial burden of interest on special rehabilitation bonds) and dismiss a portion of its staff.

Although the elimination of Yubari City's deficit currently seems to be on track, the population decline is greater than expected. Yubari City's population was 12,828 as at December 2006, whilst as at March 2022 it was 6,959.¹⁰⁵ Moreover, the per-centage of the population aged 65 has risen from 41.70% as at April 2007 to 53.43% as at March 2022, which means that the population is rapidly ageing.¹⁰⁶ Except for the rate of the individual inhabitant tax returning to the standard tax rate under the Local Tax Act since the 2017 fiscal year, there is currently no change in Yubari City's situation. Many burdens remain, and service levels are low.

5. Conclusion

The discussion above outlines the legislation for dealing with financially distressed local governments in Japan. The provisions contained in the Local Fi-

¹⁰⁵ Yubari, "Population Transition (Basic Resident Register Base)" available at <https://www.city.yubari.lg.jp/gyoseijoho/tokeidata/jinkosui/suijyuki.html>.

¹⁰⁶ Yubari, "Aging Population and Aging Rate (2021)" available at <https://www.city.yubari.lg.jp/gyoseijoho/tokeidata/1551937.files/r3.10.7.pdf>. The ageing rate of Japan as a whole was 20.1% as at September 2005 and was 29.1% as at September 2021. Statistics Bureau, Ministry of Internal Affairs and Communications, "The Elderly in Japan from the Viewpoint of Statistics - After Respect for the Aged Day - Elderly population (2021)" available at <https://www.stat.go.jp/data/topics/topi1291.html>.

nancial Soundness Act seem to be functioning, and only Yubari City – a financial rehabilitation body – is currently undergoing financial rehabilitation through a financial rehabilitation scheme under the Local Financial Soundness Act. Fiscal rigidity in most municipalities is progressing because of the fiscal discipline under the Local Financial Soundness Act. However, as revenues decrease and expenditures increase because of the Covid-19 pandemic and ageing populations, reform of local government bankruptcy legislation, including debt adjustment, will become inevitable in the not-too-distant future.¹⁰⁷

¹⁰⁷ Famously, Kyoto City, which is a tourist city, is expected to possibly become a financial rehabilitation body in 2028 because there are many temples and shrines where properties, etcetera, are tax-exempt. In this regard, see The Yomiuri Shimbun, “Kyoto The Crisis of Fiscal Collapse, Becoming a Financial Rehabilitation Body, Plan to Improve the balance by 160 billion yen” (26 May 2021), available at <https://www.yomiuri.co.jp/local/kansai/news/20210526-OYO1T50002/>.