

The role of Japan's Local Authorities in supporting local businesses

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CLAIR and JLGC – Growth, Governance and Greying

- JLGC is the London office of the Council of Local Authorities for International Relations (CLAIR)
- Established in 1988, now consists of seven overseas offices consisting of staff mostly seconded from local authorities, with branch offices throughout Japan
- Originally founded to support international cooperation between local authorities and the JET Programme, now increasingly looked upon to provide knowledge for local growth promotion, ageing society and the management of foreign residents in cities and regions
- Distinct role among CLAIR offices on account of London 2012/RWC 2015 local economic impact work for Japanese host cities in 2019/2020

Japan's Local Authorities by type

- 47 Prefectural Governments, including the Tokyo Metropolis – each headed by an elected Governor
- 1,719 Municipalities, including 20 Designated Cities – each headed by an elected Mayor
- Japan's local autonomy system is based on the 'comprehensive authorisation principle', rather than the 'restrictive enumeration principle', regarding the competence of local authorities
- The Local Autonomy Law provides that "ordinary local public entities [i.e. prefectures and municipalities] deal with their affairs in their regions."

“Affairs in the region”

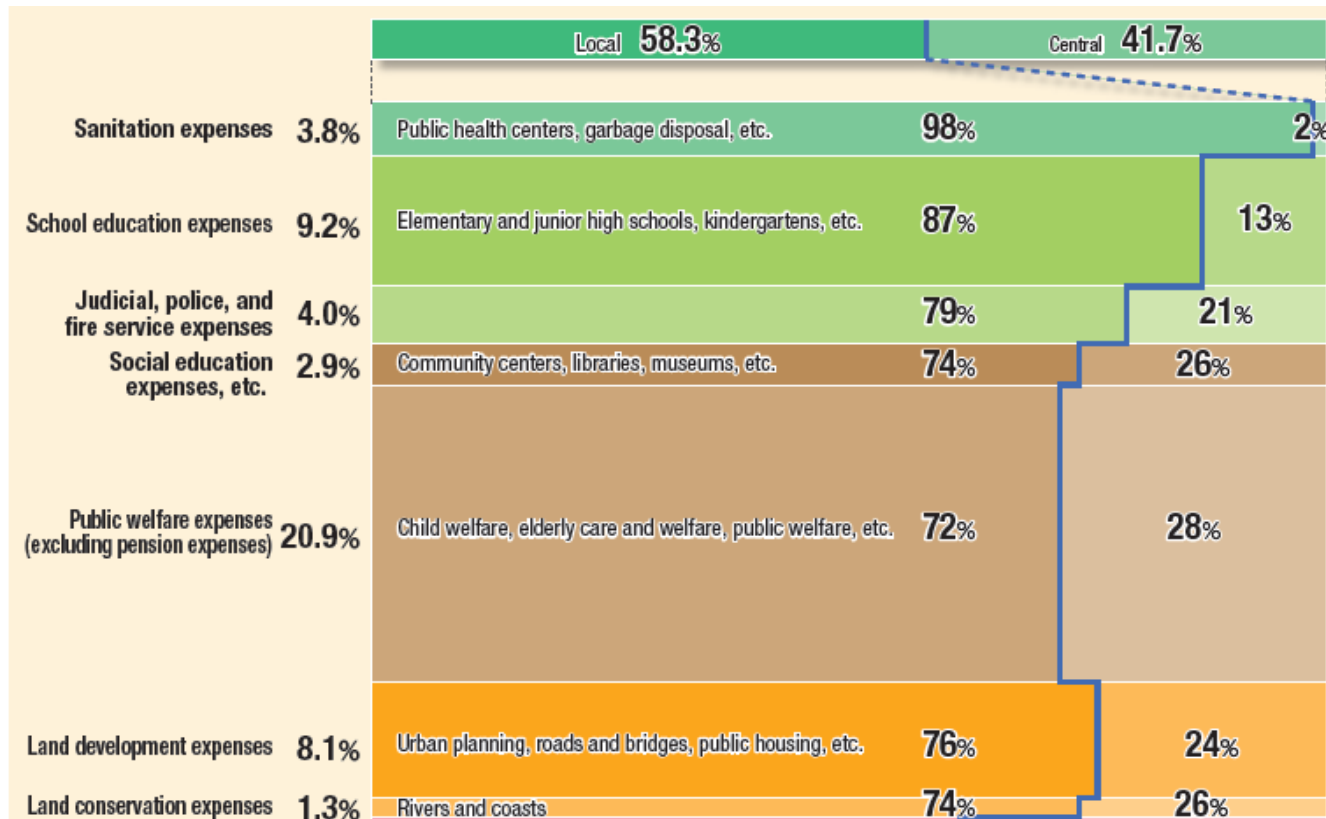
- Almost everything happening in their area, which may affect residents in whatever aspect of daily life can be considered as “affairs in the region.”
- Exemptions : Foreign policy
Defence and so on
- Japanese Local Authorities can do whatever they think necessary, without empowerment or obligation by Laws, but inside the framework of Laws.
- If Laws which regulate a certain policy area is considered to allow Local Authorities to do additional things, they can do them if necessary.

Duties of Japanese Local Authorities

- Mainly provided by Laws. Laws provide Local Authorities with a lot of “what to do.”
- However, “the Subsidiarity principle” also provides a lot of policy area “blanks” which must be taken care of by Local Authorities.
- They are supposed to deal with “the affairs in their area” in the manner they can meet their residents’ expectations.

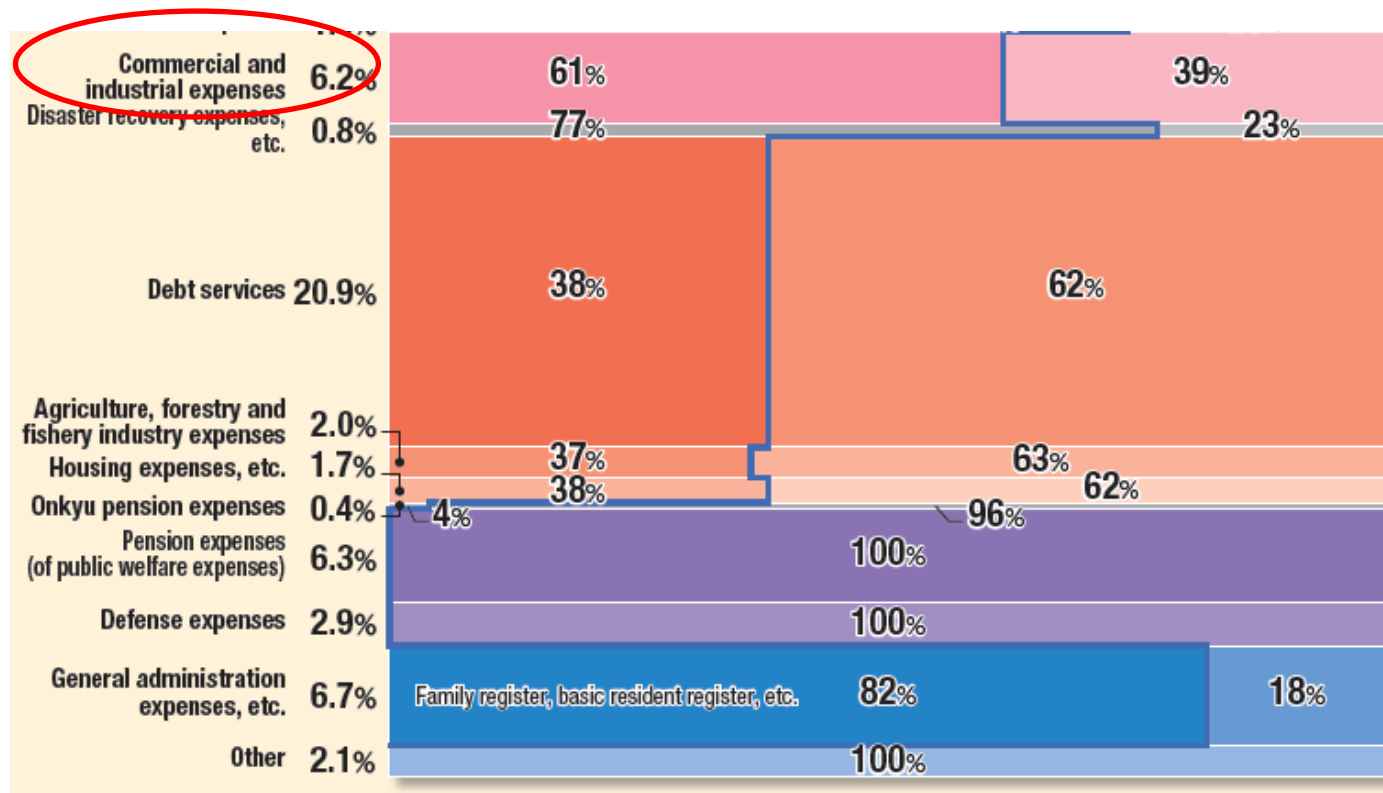
Who delivers public services in Japan, Local or National Government? ①

Share of Expenditures by Function of Central and Local Governments (final expenditure basis)



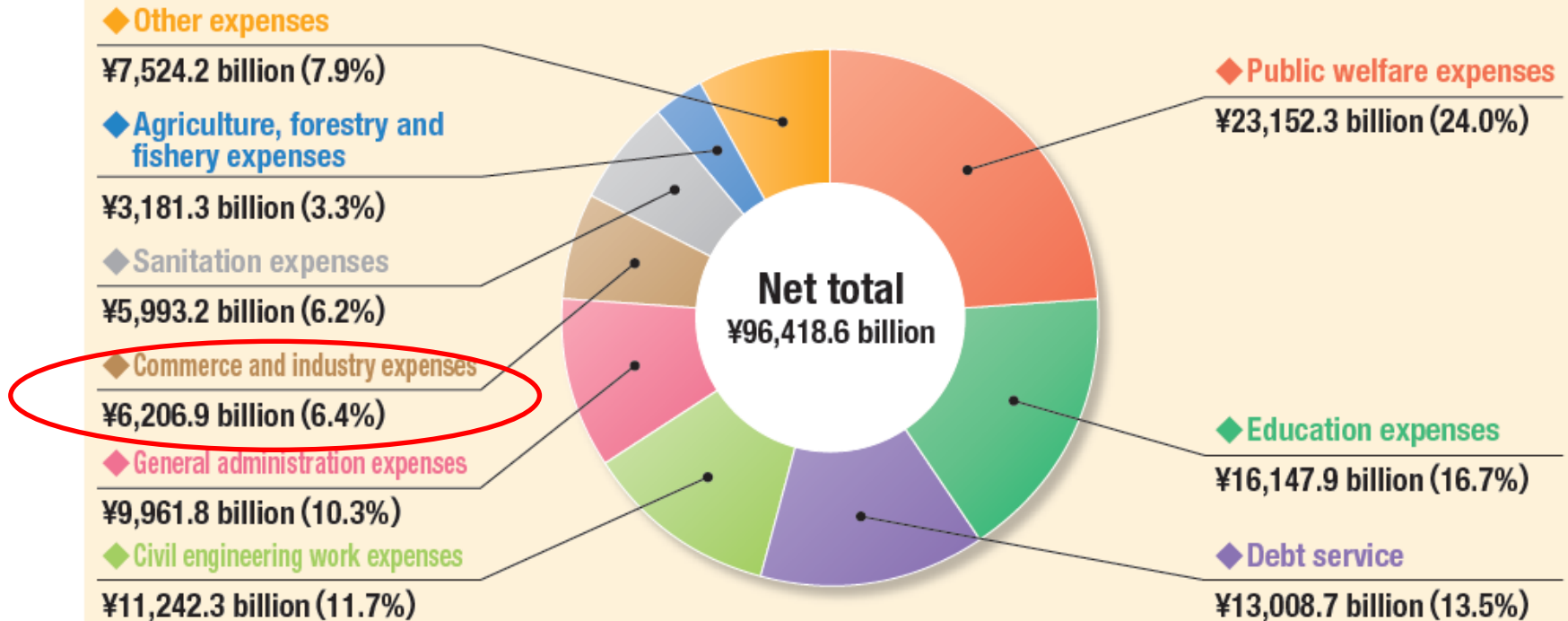
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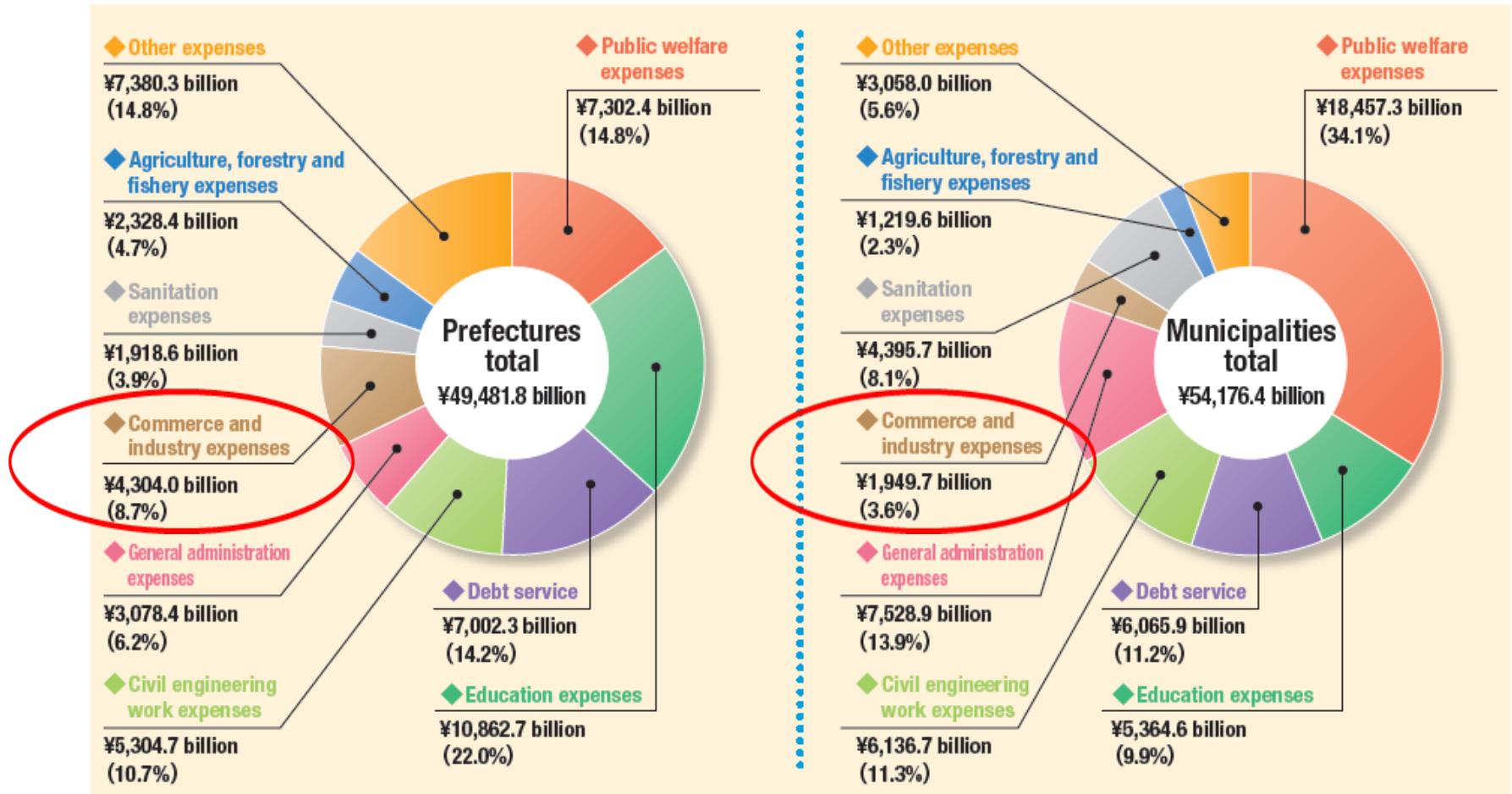


Level of “Local Business support” in Japanese Local Authorities ①

Composition of Expenditure Classified by Function (FY2012 settlement)

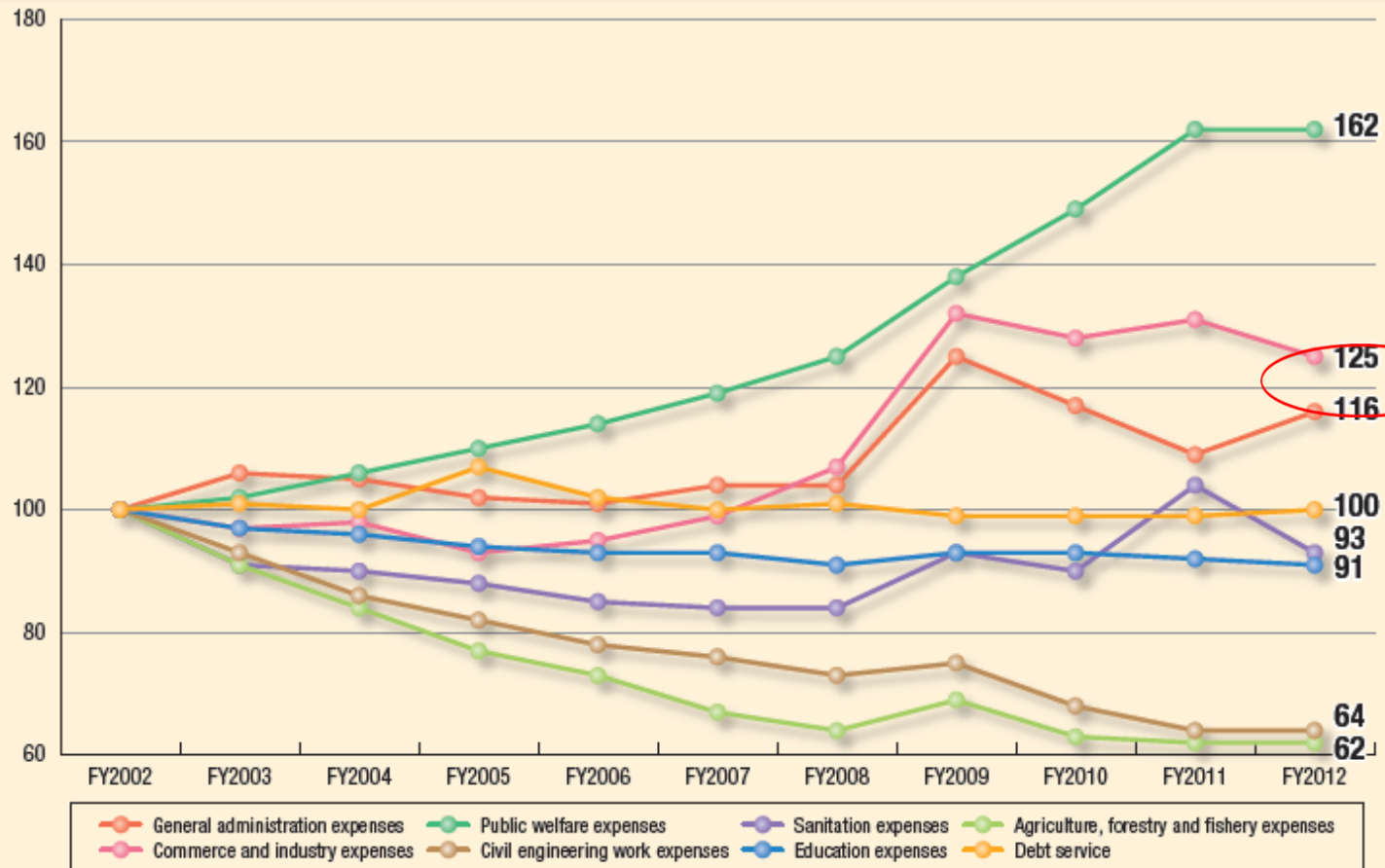


Level of “Local Business support” in Japanese Local Authorities ②



How important is “Local Business support” in Japanese Local Authorities?

Trends in Expenditures Classified by Function (Net total)



* Indices use FY2002 as base year of 100

Why do Japanese Local Authorities support local businesses?

- Decline of local economy has negative effects directly on local society.
- No businesses, No tax revenue. Without tax revenue, they can't do what they have to do to meet their residents' expectations.
- All Japanese Local Authorities have to compete not only against each other, but also against other countries, in order to survive.

What are Japanese Local Authorities doing in “Local Business Support?”

Example of Gunma Prefecture, FY2014.

1. Cash management support
2. Tourism promotion
3. Global expansion
4. Inbound investment
5. Others (Medium and small business support)



1 Cash management support

➤ Menu loan

- The prefecture sets various menus.

for example

: to overcome accidents (bankruptcy of trading partner, sudden change of FX rate, disaster)

: to develop new products

: to introduce eco-friendly equipment and etc.

- Companies satisfying the terms and conditions can apply for the loan, after getting a debt guarantee from the credit guarantee corporation in their area.
- The prefecture deposits fund money to banks in order to make the loan rate lower, and may offer a subsidy for the interest payment.

2 Tourism promotion

➤ Tourism campaign

<https://www.visitgunma.jp/en/>

➤ World Heritage Site (Tomioka Silk Mill)

<http://worldheritage.pref.gunma.jp/en/>

3 Global expansion

➤ Shanghai branch office

Helping local business' activities in China.

➤ Sales promotion to invite foreign visitors

Taking part in tourism exhibitions overseas itself, making top sales promotion to foreign tourism companies by the Governor.

➤ Product exhibitions overseas

Setting up a booth at events and encouraging local businesses to take part in this.

➤ Sales promotion on local natural produce

Supporting local businesses in finding distributors in foreign markets, for example, quality fruit for Asia, Wagu beef for Europe.

4 Inbound investment

➤ Subsidy for newcomer companies

If a company builds their facility (factory, distribution centre, R&D centre, data centre, and etc.) and creates new jobs in the area, it can receive the same amount of subsidy as “real estate acquisition tax” (3% for land, 4% for building of appraised value of newly acquired properties).

➤ Industrial estates

Having made industrial estates itself and are offering them to newcomer companies at reasonable price.

5 Others

(Medium and small business support)

- Gunma Industrial Technology Centre

R&D of new technology for Local businesses, renting R&D facilities to local business.

- Gunma Prefectural Textile Industrial Lab

- Subsidies for new product development, and etc.

- Providing seminars, consultation service.